



Gross to Net Trends:

What's Ahead for Market Access?

AUGUST 2023

Images are for illustrative purposes only.



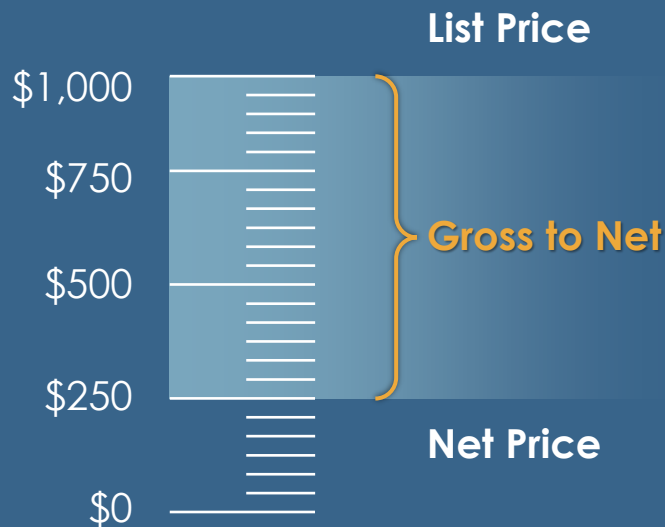
EXECUTIVE SUMMARY

Gross to Net rebates and discounts for pharmaceutical products are expected to increase due to several factors. Pharmaceutical market access teams must prepare now for GTN downward pressures.

Defining Gross to Net

What is Gross to Net?

Gross To Net, or GTN, is a term to represent the rebates, discounts, and other price reductions between the list price and the net price that stakeholders in the U.S. healthcare system pay for drugs.



In the example above, a drug's list price or Wholesale Acquisition Cost (WAC) is \$1,000.

The net price, or the amount paid after deducting rebates and discounts is \$250. Therefore, the total of discounts and rebates, or the gross to net, is \$750.

The total annual U.S. GTN market is greater than \$200 billion¹.

Source:

1) <https://www.drugchannels.net/2023/04/four-trends-that-will-pop-250-billion.html>

Gross to Net Components

Commercial rebates, discounts and admin fees:

Often in exchange for preferred formulary positions.

Medicare Part D, Medicaid and 340B discounts:

A combination of discounts and statutorily required price concessions to government programs.

Copay assistance and patient support programs:

Manufacturer investments in supporting patient access to medicines and reducing out-of-pocket burden.

Wholesaler fees and returns prompt pay discounts.

Copay Assistance and Patient Support

7%

Commercial Payers

22%

Discounts, Fees, Admin

12%

Medicare Part D

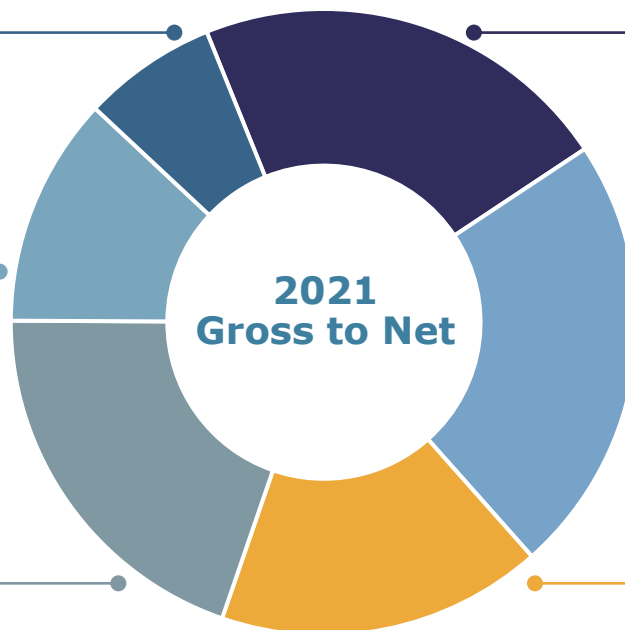
23%

340B

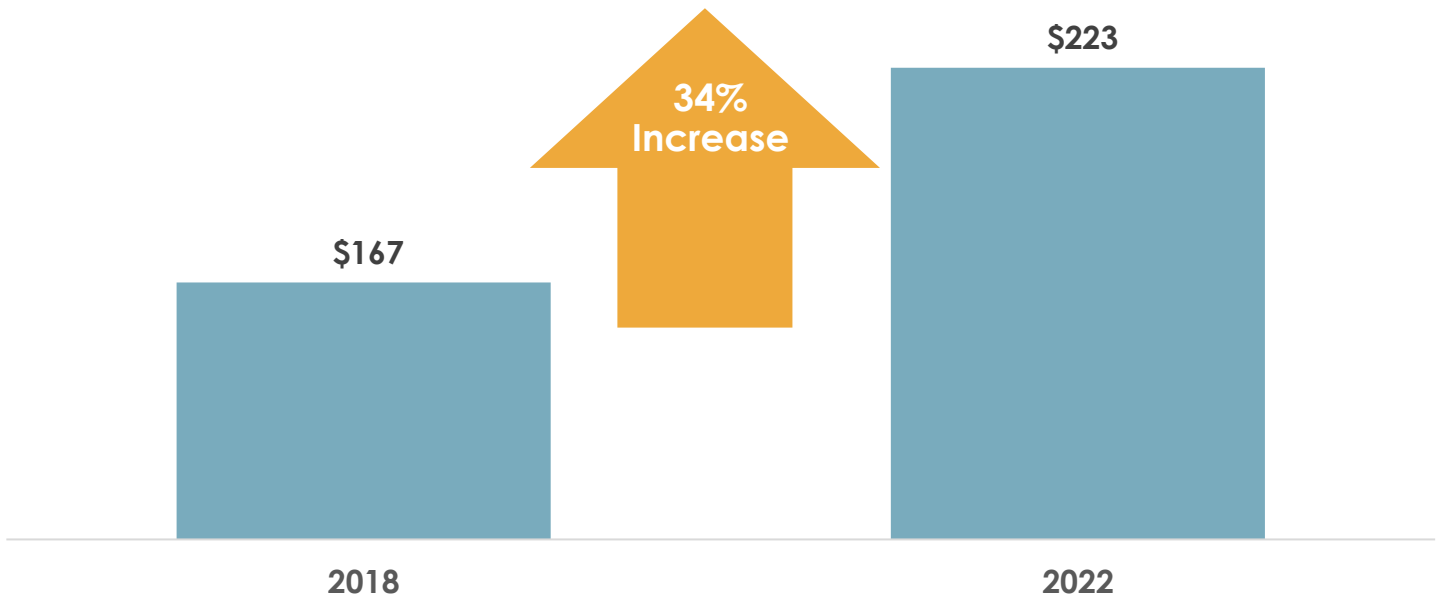
120%

Medicaid

117%



Gross to Net Trends 2018-2022



GTN Trending Up:

GTN was estimated to be \$223 billion in 2022—an increase of 34% since 2018. GTN has been increasing as list prices continue to rise and net prices fall year over year¹.

List Prices Too:

List prices increased year over year an average of 5% over the last five years².

Net Prices Fell:

Net prices for brand-name drugs fell an average of 5% year over year.

Inflation-adjusted net prices fell by 8.7% in 2022.

Source:

1) <https://www.drugchannels.net/2023/04/four-trends-that-will-pop-250-billion.html>

2) <https://www.drugchannels.net/2023/01/brand-name-drug-prices-fell-for-fifth.html>

Why GTN Will Decline Over the Next Three Years

At the national level, we believe GTN will decline driven by a variety of converging trends and legislative actions. The decreasing GTN drivers are thought to be greater in magnitude than those that increase GTN:

FACTORS THAT WILL DECREASE GTN

Humira Patent Expiration:

- After 20 years and \$200 billion in revenue, Humira is off patent and up to 10 biosimilars are coming to market, or have already arrived
- Payer GTN rebates for Humira are an estimated \$8 billion annually, not including additional rebate revenue for portfolio contracts
- As utilization of Humira biosimilars increases the rebates for Humira are expected to unwind

Inflation Reduction Act:

- The **removal of the AMP cap** will incentivize manufacturers to launch new drugs at higher prices

FACTORS THAT WILL INCREASE GTN

Segment Changes:

- **Medicare utilization will increase**, driven by the aging population and capped Part D out-of-pocket costs for its beneficiaries of \$2,000

Inflation Reduction Act:

- Assume **increasing commercial rebates** driven by spillover from government price negotiations
- The **removal of the AMP cap** will increase mandatory rebates on Part D for drugs that have had list prices (as measured by the average manufacturer price) increase faster than the rate of inflation
- **Price negotiation** process for drugs used in Medicare
- **Higher manufacturer liabilities** for Part D benefit costs

Sources:

1) <https://www.npr.org/sections/health-shots/2023/01/31/1152513058/abbvies-blockbuster-drug-humira-finally-loses-its-20-year-200-billion-monopoly> 2) <https://www.fiercepharma.com/pharma/can-biosimilars-tear-town-abbvies-humira-rebate-wall-just-look-viatris-lantus-copy-analyst> 3) <https://www.goodrx.com/humira/biosimilars>

MANUFACTURES' NEXT STEPS

Estimate the Potential Impact

Are your brand strategies ready to take advantage of the shifting market? Are you prepared to forecast and accrue accurately through the changes?

To help forecast the impact of the GTN changes ahead in the market and for your business, consider working with Valuate.

Valuates Principals and Analysts Can Help



EVALUATE BRAND SPECIFIC IMPACT

Factors to consider:

- Segment mix
- History of price escalations in the therapeutic area
- Price negotiations in the indication (price and coverage implications)
- Benefit coverage
- Urban consumer price index (CPI-U)



WAR GAME OUTCOMES

- Create a cross-functional team to walk through various simulated possible outcomes
- Simulations should include IRA impacts on both manufacturer's brand(s) and key competitors

Thank You



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