

Focus on Access:

The Value of Treatment

In 2023, national health spending reached an estimated \$4.9 trillion, accounting for approximately 17.6% of the nation's Gross Domestic Product (GDP).ⁱ This translates to \$14,570 spent per person on health care in the United States (U.S.). This figure surpasses that of other comparable nations, but does not consistently translate into superior health outcomes. Much of the focus is on pharmaceuticals driving this spending; however, there is a need to take a step back and look more closely at prescription drugs to evaluate their value.

Prescription drugs constitute only 13% of overall healthcare spending; however, their influence on health outcomes, cost containment, and economic productivity is disproportionately large, delivering value far beyond its direct cost.^{ii,iii} It should also be noted that this percentage is in line with prescription drug spending in other countries.^{iv}

Pharmaceuticals drive cost savings by mitigating the need for more expensive acute care and by fundamentally transforming chronic disease management to enhance patient quality of life and boosting productivity. Furthermore, prescription drugs provide hope for the future with research and development driving future health advancements. In this light, they can be seen as a high-return investment.

Enhancing Health and Quality of Life: The Patient-Centric Impact

Transforming Chronic Disease Management

With chronic diseases affecting millions, the development of medications that effectively manage these conditions represents a significant and often life-changing medical advancement that is often taken for granted. Effective chronic disease management directly correlates with improved clinical outcomes and reduced mortality. However, it often relies on medication adherence to meet these goals. Conversely, nonadherence leads to higher hospital admissions, suboptimal health outcomes, and increased morbidity and mortality, alongside escalating healthcare costs – to the tune of \$300 billion a year.^v The importance of consistent medication use cannot be overstated in managing long-term conditions.

Effective medication management has been repeatedly shown to reduce the need for costly acute care and hospitalizations. For example, increasing diabetic drug adherence from 50% to 100% is estimated to reduce hospitalization rates by 23.3% and emergency room (ER) visits by 46.2%.^{vi} This improvement in adherence translates to an annual cost savings of \$886 per diabetic from averted hospitalizations and ER visits, for an additional \$776 spent on diabetic drugs, resulting in a net cost offset of \$110, or \$1.14 saved for every \$1 spent on these medications.^{vii}

A broader analysis revealed that an increase of 100 outpatient prescriptions was associated with 1.48 fewer hospital admissions, 16.3 fewer hospital days, and 3.36 fewer inpatient surgical procedures.^{viii} Or, put another way, a \$1 increase in pharmaceutical expenditure was linked to a \$3.65 reduction in hospital care expenditure.^{ix}



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Productivity and Fuller Participation in Day-to-Day Activities

Beyond the more tangible health outcomes, pharmaceuticals offer immense value for people living with chronic disease. The daily reality of managing their condition can be a source of significant mental and emotional strain, often leading to depression, anxiety, and a feeling of hopelessness. Prescription medications play a crucial role in mitigating this mental health burden by providing stable and effective treatment.

When a chronic disease is left untreated or is poorly managed, the unpredictable and worsening symptoms can create a vicious cycle of physical and psychological distress, but with a reliable medication regimen, individuals can gain a sense of control over their health, which, in turn, can profoundly improve their mental well-being and overall quality of life.

Pharmaceuticals can also contribute to increased patient productivity. By managing symptoms, preventing disease progression, and improving overall health, medications enable individuals to return to work, resume their daily activities, and contribute more fully to society. For example, effective treatments for conditions like diabetes, asthma, or autoimmune disorders can allow patients to maintain consistent employment and engagement in their personal lives.

This enhanced productivity not only benefits the individual through improved financial stability and a sense of purpose, but also yields broader economic advantages by strengthening the workforce and reducing healthcare expenditures associated with unchecked illness. Over the last decade, new drug treatments increased productivity by an estimated 4.8 to 5.5 million workdays per year, translating into \$221 to \$233 billion in annual wages.^x



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Breakthroughs and Life Extension

New medications are fundamentally improving health outcomes and quality of life, often replacing the need for surgery or other invasive treatments and accelerating patient recovery.^{xi}

Through new treatments and prevention methods, meaningful progress has been made in slowing the progression or even reversing chronic diseases. For example, biologic drugs represent a significant advancement in the treatment of autoimmune diseases. They lead to lower rates of disease progression and provide considerable, long-term benefits, particularly for patients who have not responded to standard treatments.^{xii}

In addition, prescription drugs are extending lives. Death rates in the U.S. have been declining by more than 1.5% annually for the past 15 years, with each 1% reduction carrying a present value of nearly \$500 billion to current and future generations.^{xiii}



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A Strategic Investment for a Healthier America

Investment in prescription drugs yields a significant multiplier effect across various dimensions of health and economic well-being, far outweighing their direct cost share in overall healthcare spending. Historically, federal investment in basic and applied science has helped drive innovation leading to new treatments for diseases that may previously had limited or no treatment options.

The compelling evidence of cost savings and the profound impact on patient health and quality of life is equally significant. Prescription drugs have pushed the definition of value beyond treating illness to encompass prevention, sustained quality of life, enhanced independence, and significant macroeconomic contributions.

The inherent tension between incentivizing pharmaceutical innovation—driven by high research and development costs and patent protection—and ensuring equitable access, given pricing structures and affordability barriers, necessitates a sophisticated policy framework. This framework must recognize the long-term societal benefits of pharmaceutical innovation while actively addressing current affordability and access challenges to maximize overall public health. It must also recognize that brand drugs today will one day go off-patent and become tomorrow's generic and biosimilar drugs.

Because of legislation like the Hatch-Waxman Act and the Biologics Price Competition and Innovation, the U.S. has a robust generic and biosimilar landscape permitting lower cost medicines to come to market. Generic and biosimilar medicines account for 90% of all prescriptions filled in the U.S.^{xiv} Generic drug prices are consistently and substantially lower than brand-name prices. Competition among manufacturers drives prices down, with reductions of 70% to 80% relative to pre-generic entry prices in markets with ten or more competitors.^{xv} In 2025 generics and biosimilars generated \$445 billion in savings and contributed to over \$3 trillion in savings over the last decade.^{xvi} These savings could be even greater but payer preferences for higher cost, higher rebate drugs lead to lower cost options being off-formulary and/or more expensive for patients.

In conclusion, prescription drugs are not simply a cost item in the U.S. healthcare budget; they are a critical, strategic investment that underpins the nation's health, economic vitality, and overall societal well-being. Recognizing and supporting this vital investment through thoughtful policy and continued innovation is paramount for fostering a healthier America.

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Sources

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