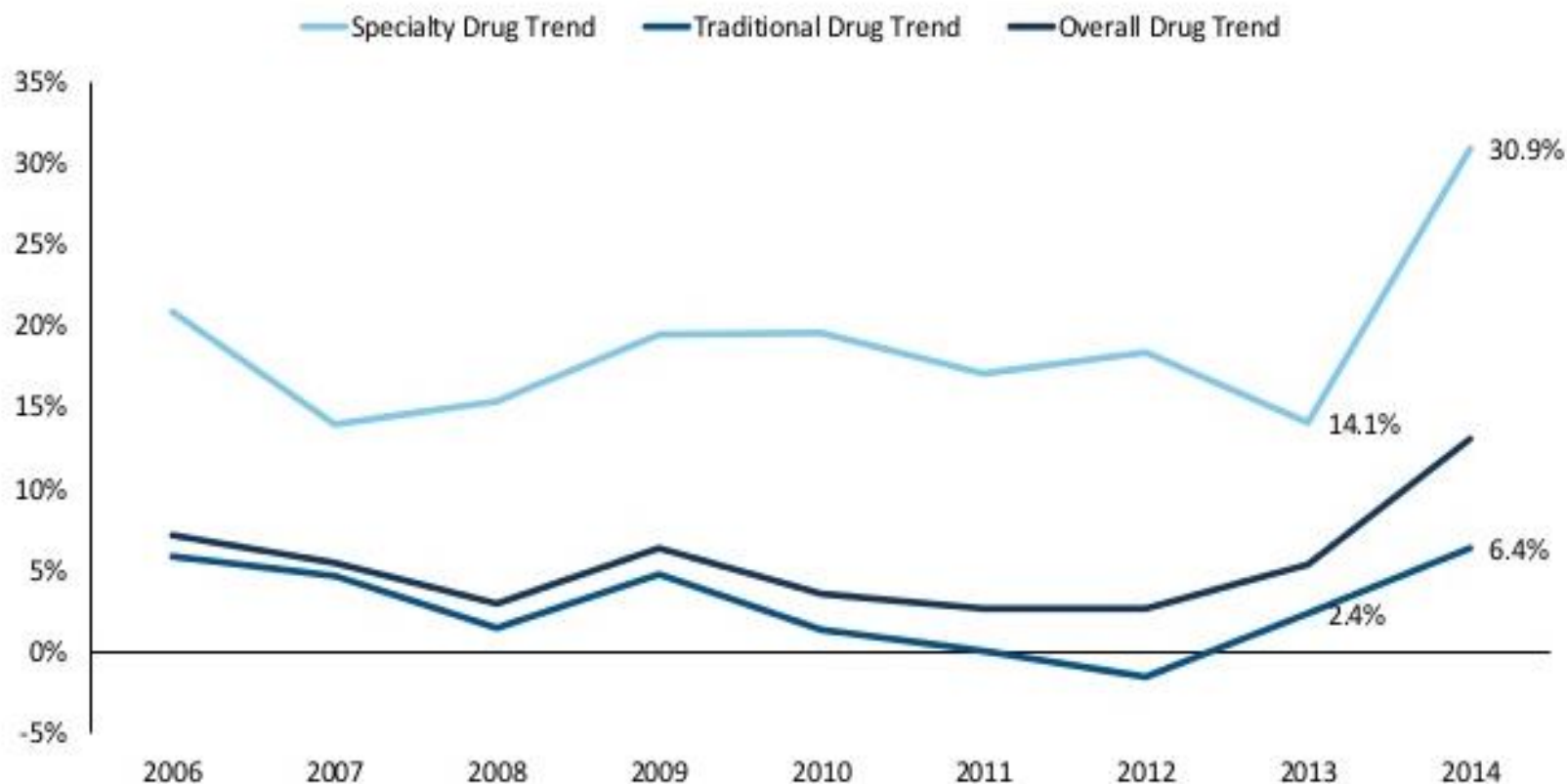


# Costly new specialty drugs are a major driver of increased health spending

Express Scripts drug spending growth trend by therapy class, 2006 -2014



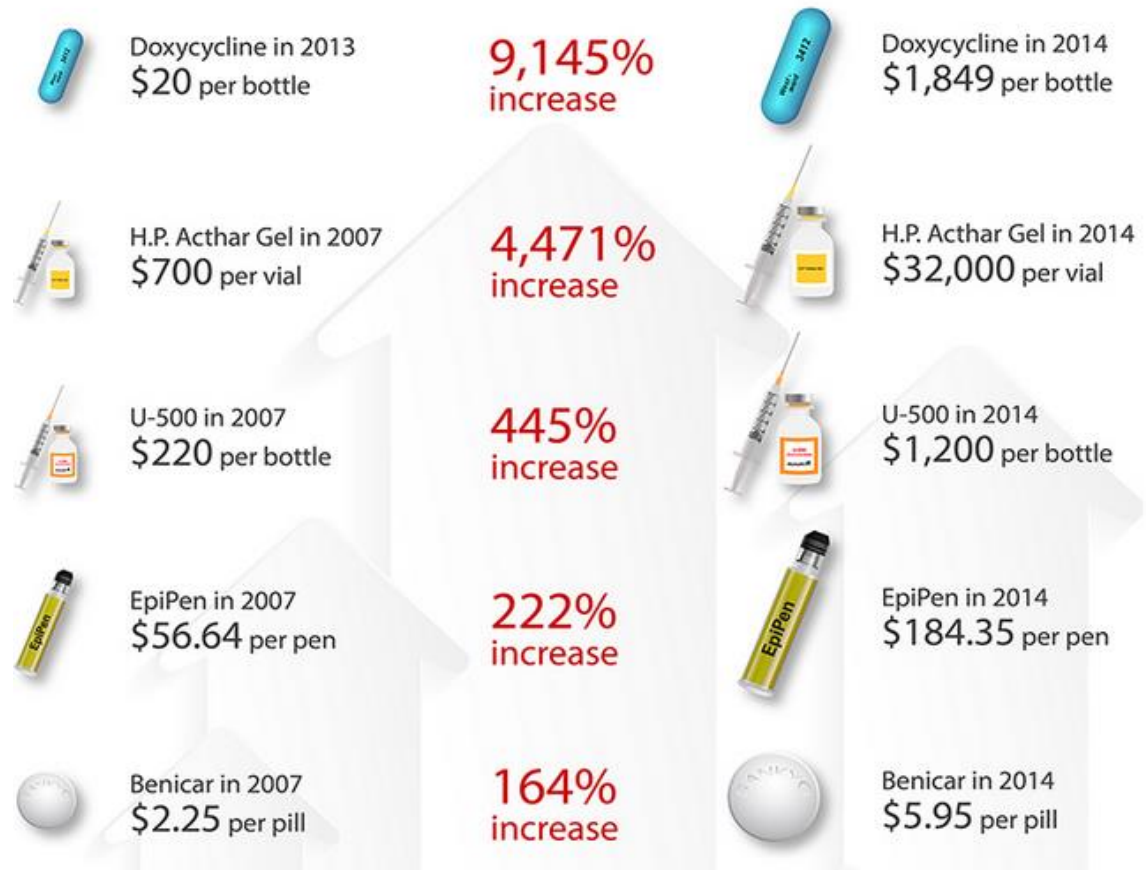
Source: Express Scripts 2014 Drug Trend Report and Year in Review. Available at <http://lab.express-scripts.com/drug-trend-report/> and <http://lab.express-scripts.com/drug-trend-report/introduction/year-in-review>



# Not Just Specialty Rx Issue: High Pricing Common Across All Classes

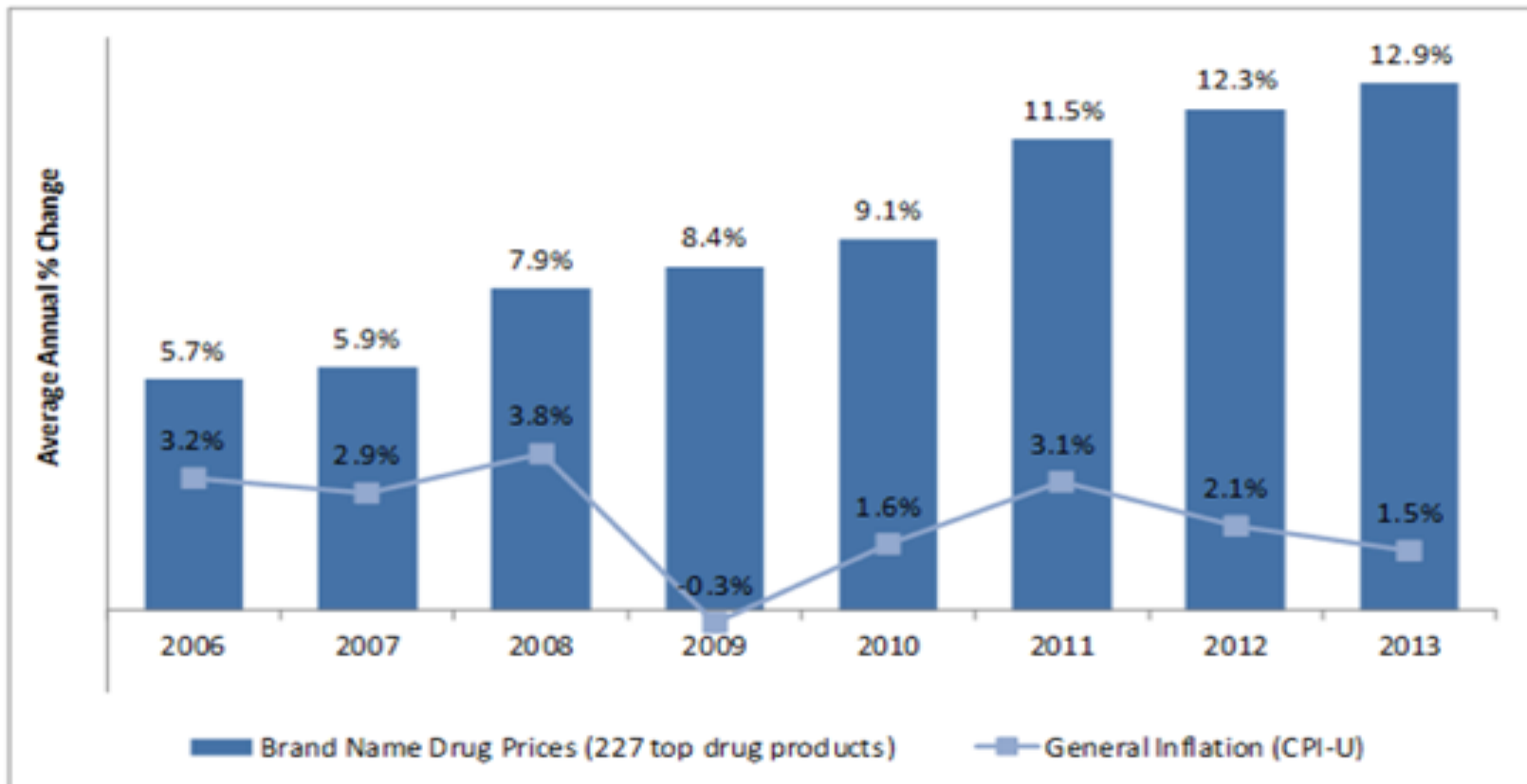
73 Brand-name  
drugs priced 75%  
higher today than  
in 2007.

Source: Bloomberg



# Price inflation: drugs outpacing general inflation

**Average Brand Name Drug Prices vs General Inflation Rate by Year**



# Specialty Drug Spend

U.S. SPECIALTY Rx SPEND

↑ 4X SINCE 2006



BY 2018, SPECIALTY DRUGS WILL ACCOUNT FOR:



OF ALL U.S. PRESCRIPTIONS



OF ALL Rx COST

Managing specialty drugs is critical

50% of the drug pipeline comprises specialty products

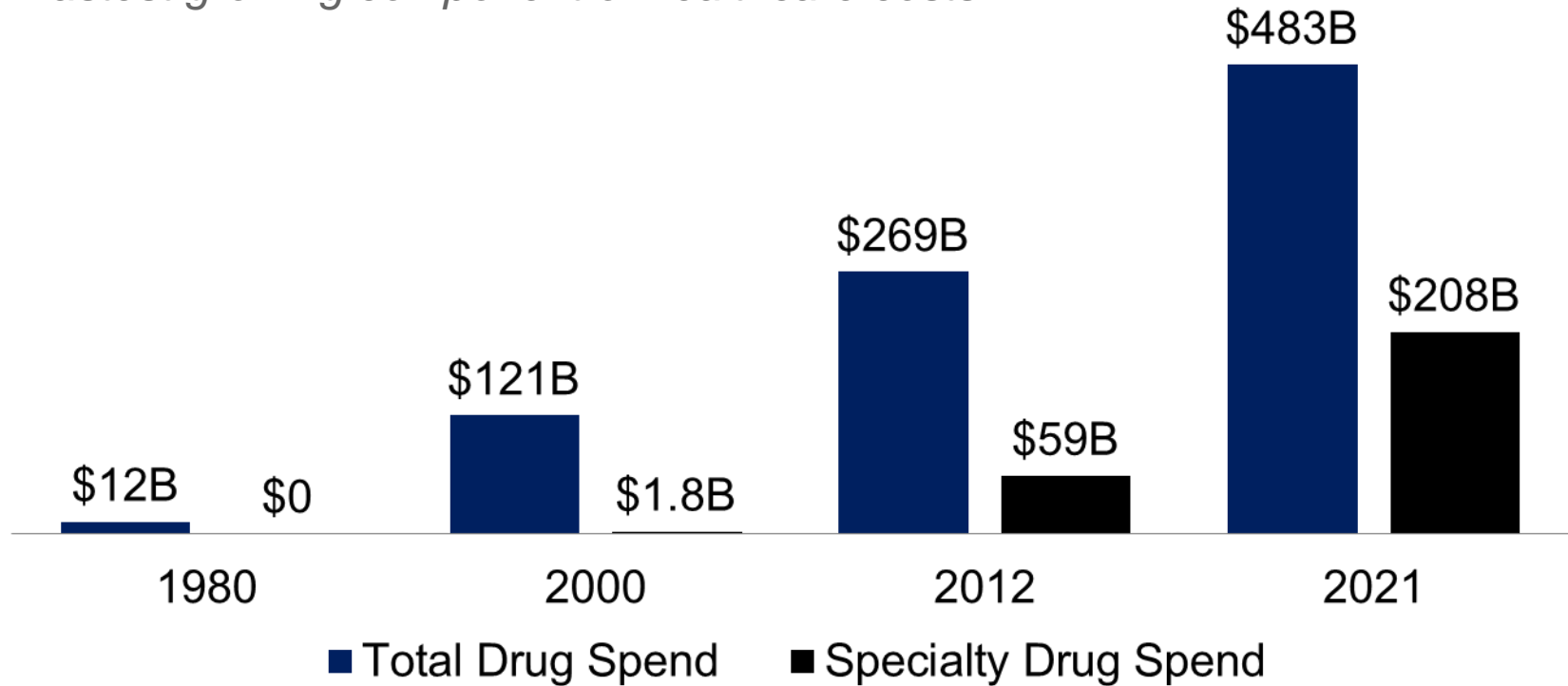
10x the average cost of a traditional branded prescription drug

95% of specialty Rx costs paid by health plans

Express Scripts; IMS 2014

# Specialty Drug Spend

*Fastest growing component of healthcare costs*



Source: JPMorgan

# Hep C Drugs Are Not Outliers, But Instead the “New Normal”

## Cancer Drugs Hit Market at Ever-Higher Prices

U.S. prices for new cancer drugs have soared since the 1970s despite an increasing number of available brands.

Median monthly cost for new cancer drugs during the five-year period



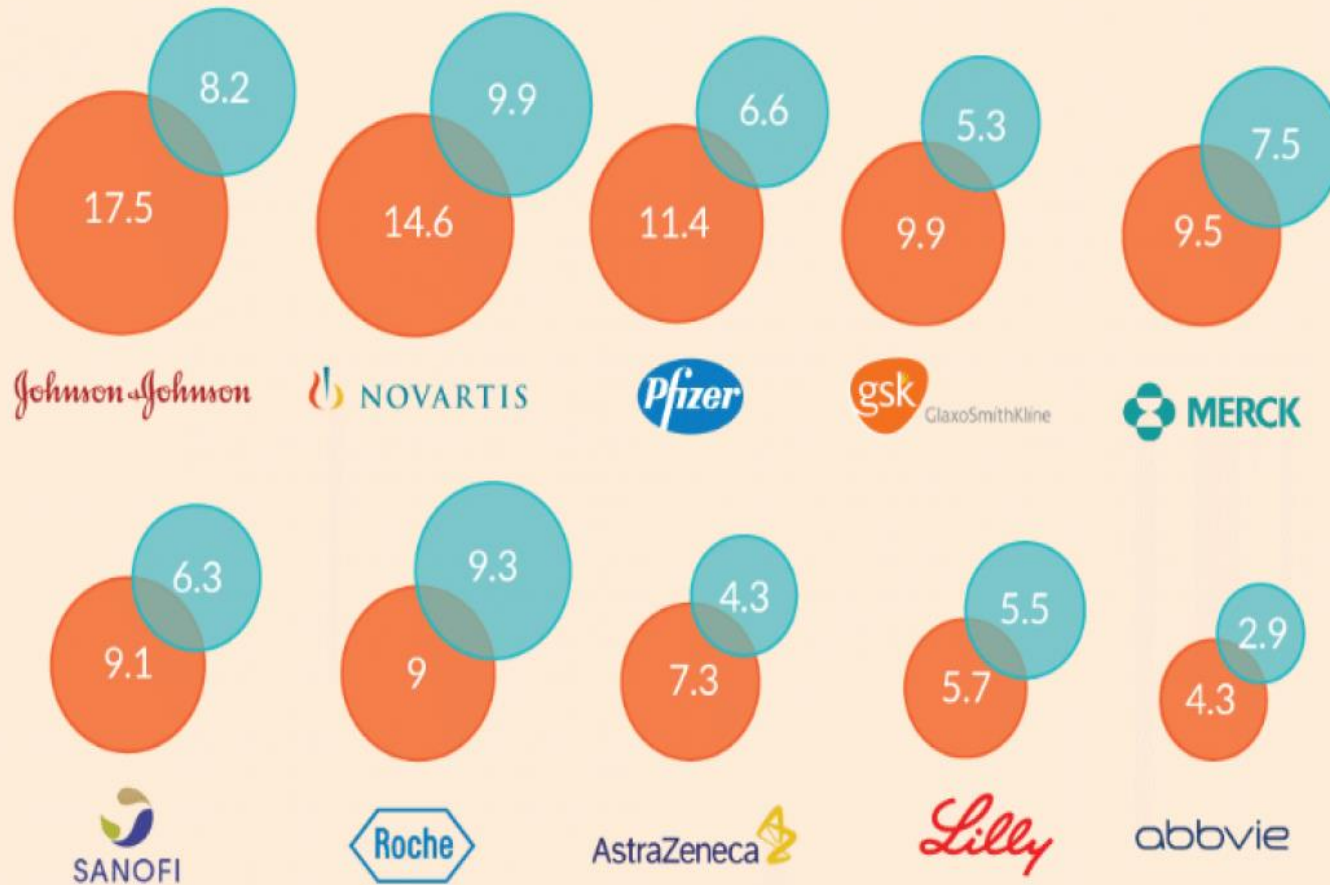
Note: Costs are monthly Medicare prices for each drug the year it was introduced, adjusted for inflation.

Source: Peter Bach and Geoffrey Schnorr at Memorial Sloan Kettering Cancer Center

Bloomberg Graphics

- Out 58 cancer drugs approved by the FDA between 1995 and 2013, launch prices increased by 10% a year, or about \$8,500.
- The FDA approved 12 cancer drugs in 2012. Eleven of them were priced at \$100,000 per year.
- The price of cancer drugs on the market for years are also increasing at dizzying rates.
- Imatinib was \$30,000 a year when it was approved in 2001 – it now costs over \$92,000 per year.
- Cancer drug prices doubled within the last decade, from an average of \$5,000 per month to \$10,000 per month.

# HOW MUCH DOES BIG PHARMA SPEND ON: SALES & MARKETING vs. RESEARCH & DEVELOPMENT



IN US \$ BILLION, FOR 2013