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Academy Issue Brief Examines Drivers of Increasing Retail Prescription Drug Costs and Options to Address Them

WASHINGTON—In a new issue brief, the American Academy of Actuaries’ Prescription Drug Work Group identifies the drivers of prescription drug costs—projected to be the fastest-growing health care spending category and to consistently outpace other categories—as well as their impact on health care payers and options for public policymakers to help address the expected increases.

According to the issue brief, “[Prescription Drug Spending in the U.S. Health Care System: An Actuarial Perspective](#),” the major drivers of the expected cost increases include disproportionate use of costlier drugs that may not be more effective, increased dosage and unit costs, overutilization of drugs, delays in the introduction of generic drugs, regulatory and market structures that do not exist in or operate differently from other countries that have lower costs, and other factors.

Rapidly increasing prescription drug costs have significant effects for a broad swath of stakeholders in the health care system, including insured health plan members, government programs, the uninsured, insurers, government, and other payers. Public policy approaches that could help lower retail prescription drug spending include outcome-based reimbursements, pricing transparency, reference pricing, and benefit plan modifications.

Leading health actuaries representing the Academy discussed the topic at a briefing for policymakers and the news media on March 9, 2018, on Capitol Hill.

The issue brief, developed by the Academy’s Prescription Drug Work Group, is available on the Academy website at www.actuary.org under the health section accessible via the “Public Policy” tab.

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The American Academy of Actuaries is a 19,000-member professional association whose mission is to serve the public and the U.S. actuarial profession. For more than 50 years, the Academy has assisted public policymakers on all levels by providing leadership, objective expertise, and actuarial advice on risk and financial security issues. The Academy also sets qualification, practice, and professionalism standards for actuaries in the United States.