

# IMS Health: Drug spending to jump 30 pct. to \$1.3T in 2020

November 18 2015, by Linda A. Johnson

---

As criticism of soaring prescription drug prices in the U.S. grows, global spending on medicines is expected to rise 3 percent to 6 percent annually for the next five years, according to a new forecast from IMS Health.

The health data firm predicts global spending will increase by about 30 percent cumulatively from about \$1 trillion now to about \$1.3 trillion in 2020, driven by expensive new drugs, price hikes, aging populations and increased [generic drug](#) use in developing countries.

The increase would be higher but for a huge, looming wave of patents for expensive brand-name pills expiring over that stretch, allowing cheaper generic versions to then enter the market.

Here are some key findings from the report, called "Global Medicines Use in 2020: Outlook and Implications."

## SPENDING TOTAL

IMS expects 2020 global sales of brand and generic prescription drugs, plus nonprescription medicines, to total \$1.4 trillion, based on list prices. That's up about \$349 billion from 2015 spending, nearly double the increase of \$182 billion from 2011 through 2015.

The \$1.4 trillion will be a new record—not surprising, since medicine use and brand-name [drug](#) prices tend to increase every year. However, that total will be reduced by \$90 billion globally by discounts and rebates

not stated on invoices.

Drug manufacturers routinely give insurers and other payers in the U.S. and Europe such deals in exchange for inclusion and favorable copayment levels on their formularies of approved prescription drugs. Insurers demand those discounts to hold down costs, as they do in the U.S. through contracts with hospitals and doctors that slash what insurers and patients pay from the charges on bills.

## DEVELOPING COUNTRY TRENDS

Different trends in wealthier countries and poor ones will boost medicine spending from 2016 through 2020.

"Globally, it's all about expanding access in low- and middle-income countries," as China, India, Brazil and Indonesia strengthen their health systems and expand insurance coverage, said Murray Aitken, executive director of the IMS Institute for Healthcare Informatics and one of the report authors.

Those four countries have more than 3 billion residents combined and will account for nearly half of the higher volume use—but not spending growth—of medicines around the world. That's because even with rising incomes and much-lower prices in those and other developing countries, most residents can only afford generic pills. In addition, not enough hospitals and doctors' offices have the equipment and trained staff needed for administering expensive injectable medicines, limiting their use.

## WEALTHY NATION TRENDS

"In developed countries, it's all about the innovation coming out of the R&D pipelines. We've got this surge of innovation, particularly in

oncology and rare diseases and hepatitis C," added Aitken.

Those new drugs sometimes carry major improvements in patient care and survival, but even drugs bringing moderate advances are hitting the U.S. market with annual price tags topping \$100,000. That's compounded by price increases as high as 5,000 percent imposed by several drugmakers who snap up older drugs with limited competition and then jack up prices.

In the U.S., the two price trends have generated harsh criticism by patients, advocates, doctors and politicians, plus multiple congressional investigations.

## NARROWING THE GAP

Medicine use is much higher in wealthy countries, but the gap will narrow as people increase use of generic drugs in developing countries.

By 2020, IMS projects annual use of medicine will hit 4.5 trillion doses, up 24 percent from this year. More than half the world's population, which is expected to exceed 7.6 billion in 2020, will be taking more than one medicine dose per day then, up from 31 percent in 2005.

In the U.S., about 90 percent of prescriptions dispensed in 2020 will be for generic medicines, up from 88 percent now.

## NEW DRUGS COMING

Over the next five years, IMS projects that 225 new medicines will be approved and go on sale, though mainly in developed countries.

"We haven't seen that level since the late-1990s," when 223 drugs were approved in the second half of that decade, said Aitken.

Some of those new drugs could transform treatment of diseases, including certain cancer types, heart disease, hepatitis C, respiratory conditions, rare disorders such as muscular dystrophy, neglected tropical diseases and autoimmune disorders.

## TECHNOLOGY IMPACT

Along with the new drugs approved in the next five years, patient care likely will be affected by technology aimed at improving diagnosis of diseases, tracking patients' health and helping patients stick to the medicine schedules their doctors recommend.

IMS forecasts most patients with chronic diseases will have access to smartphone applications and wearable technology to track vital signs, physical activity and treatment effects. Insurers in the U.S. often won't cover those costs now, but Aitken expects coverage will increase once studies show the technologies help keep patients healthier and control costs of their care.

**More information:** IMS report, [www.imshealth.com/en/thought-leadership/ims-institute](http://www.imshealth.com/en/thought-leadership/ims-institute)

© 2015 The Associated Press. All rights reserved.

Citation: IMS Health: Drug spending to jump 30 pct. to \$1.3T in 2020 (2015, November 18) retrieved 19 April 2024 from <https://medicalxpress.com/news/2015-11-ims-health-drug-pct-13t.html>

This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.