Biosimilars have potential to cut health spending by $54 billion over next decade

Biologics are the fastest-growing segment of prescription drug spending, RAND Corp. says.

Jeff Lagasse, Associate Editor

Introducing biosimilar versions of complex biologic drugs, which are used to treat illnesses such as cancer and rheumatoid arthritis, could cut healthcare spending in the U.S. by $54 billion over the next decade, according to new analysis from RAND Corp.

The savings estimate is about 20 percent larger than a similar analysis done by RAND researchers three years ago, representing both improved analysis methods and rapid growth in spending for biologics overall. Biologics are the fastest-growing segment of prescription drug spending.

Biologics are complex, protein-based drugs manufactured in living systems and include insulin, monoclonal antibodies to block inflammation in rheumatoid arthritis, and a range of drugs to treat cancer, multiple sclerosis and other serious diseases.
While biologics are important treatments for many conditions, they often are expensive, and patient copays for the treatments can be several thousand dollars per year, according to the research. While 1 percent to 2 percent of the nation's population is treated with a biologic each year, the drugs accounted for 38 percent of prescription drug spending in 2015. Also, biologics accounted for 70 percent of the growth in prescription drug spending in the U.S. between 2010 and 2015.

Biosimilars are very similar to already approved "reference" biologics in terms of potency, safety and efficacy, but manufactured by different companies, authors said. They can be approved for marketing by the Food and Drug Administration after the manufacturer of the reference biologic enjoys several years of patent and exclusivity protection.

The Biologics Price Competition and Innovation Act, enacted as part of the Affordable Care Act, authorized the FDA to create a new approval pathway for biosimilars with the goal of promoting competition. This new pathway is faster and less costly for biosimilar developers.

The researchers estimate that that biosimilars will cut spending on biologics by about 3 percent over the next decade. The range of the new savings estimate, given reasonable ranges of key assumptions -- like the price of biosimilars versus reference biologics and biosimilar market share -- varied from $24 billion to $150 billion from 2018 through 2027.

While expected to produce less-dramatic savings than an earlier generation of less-complex generic drugs, the introduction of biosimilars into the U.S. marketplace is expected to increase competition and drive down prices, resulting in savings for patients, healthcare payers and taxpayers, according to the analysis. Lower costs also could improve access to biologic drugs, which could lead to higher spending overall unless the treatments help lower hospitalizations or other costs.

The actual savings hinge on how competition in the pharmaceutical industry evolves and what regulatory decisions are made. The authors say future research will be needed to determine whether savings are realized and who benefits from any reductions in spending.