

## **New Research Finds That Hospital Markups on Biologic Medicines Roughly Double Costs and Limit Potential Savings From Biosimilar Competition**

- Workers and Employers Seeing Higher Costs as a Result -

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(Washington, D.C.) – A new research report published today by the Employee Benefit Research Institute (EBRI) found that higher hospital markups on biologic medicines are roughly doubling the costs for employers and minimizing savings that could be achieved through biosimilar competition.

The research report, “Location, Location, Location: Spending Differences for Biologic and Biosimilar Medications by Site of Treatment,” examined whether the potential cost savings from biosimilars is impacted by whether patients seek care from physician offices (PO) or hospital outpatient departments (HOPD), as the trend towards HOPDs might be impacting potential savings.

The original biologic, known as the innovator biologic, sometimes has substitutes which are known as biosimilars. Biosimilars are similar versions of the medicine with no clinically meaningful difference in effectiveness or safety from the innovator biologic. In recent years, a robust biosimilar marketplace has emerged driving substantial savings for patients, employers and insurers. As of February 2023, there are 29 biosimilars on the market competing against 11 innovator biologics.

“Competition in the evolving market suggests innovator biologics and biosimilars both are competing on price to retain or gain market share. However, as HOPDs continue to markup the price of biologics at faster and higher rates than biosimilars and consolidation drives care away from POs into HOPDs, employers will continue to see costs go up. As a result, the savings potential from biosimilars may not be fully realized,” explained Paul Fronstin, Ph.D., study co-author and director, Health Benefits Research, EBRI.

Key findings in the research report include:

- Use of biosimilars among individuals with employment-based health benefits in the United States is growing as more biosimilars enter the market. Among the 9 innovator biologics with available biosimilars as of October 2022, most of the biosimilars were launched in the U.S. in 2019 and 2020.
- Allowed charges for biosimilars were higher in HOPDs than in POs. However, the markups for biosimilars were lower than the markups for innovator biologics. Biosimilar markups in HOPDs averaged 87% in 2019 and 101% in 2020. In 2022, HOPD markups ranged from 59% - 141%. The HOPD markup increased for 7 of the 9 biosimilars examined.

- With the exception of biosimilars for Neupogen, the market share for the innovator biologics were between 65% - 87% in 2020.
- HOPDs were sometimes more likely and sometimes less likely than POs to use innovator biologics over biosimilars. HOPDs were more likely than POs to use Neupogen, Herceptin and Rituxan over their biosimilars. However, POs were more likely than HOPDs to use Remicade and Avastin. HOPDs and POs were about equally likely to use Neulasta and Epogen/Procrit.
- For all 7 innovator biologics examined, allowed charges were higher in HOPDs than in POs. HOPD markups on innovator biologics is roughly doubling costs for employers and minimizing savings that could be achieved through biosimilar competition. Allowed charges were about double in 2019, averaging 98% higher. In 2020, allowed charges were more than twice as high in HOPDs, averaging 121%.
- In 2020, the HOPD markup ranged from 75% - 183%. The HOPD markup increased between 2019 and 2020 for all innovator biologics examined.

“Our ongoing research findings continue to show that HOPD markups on physician-administered outpatient drugs result in costs that are, on average, twice as high as those in POs. This can significantly undermine the potential savings that could be achieved through biosimilar competition,” said M. Christopher Roebuck, Ph.D., study co-author and Founder & CEO of RxEconomics LLC. “Given the robust pipeline of biosimilars, employers and other plan sponsors should closely monitor HOPD markups, biosimilar uptake and overall market trends.”

To view a summary of the 17-page Issue Brief, “Location, Location, Location: Spending Differences for Biologic and Biosimilar Medications by Site of Treatment,” visit [www.ebri.org/biologics-biosimilars](http://www.ebri.org/biologics-biosimilars).

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