

Affordability Dashboard: Prescription Drug Rebates

General

- **Total Prescription Drug Spending:** Total spending is considered pharmacy spending, which includes drugs dispensed at a pharmacy and does not include physician-administered drugs in hospitals or other medical settings. This includes payments made by both patient and health insurers prior to rebate.
- **Rebate Amount:** Total rebates, compensation, and any other price concessions provided by pharmaceutical manufacturers for prescription drugs. A rebate is a return of part of the purchase price by the buyer to the seller and payer (Insurer or Pharmacy Benefit Manager). **Pharmaceutical manufacturer typically pays rebates to a Pharmacy Benefit Manager, which then shares the majority with the health insurer.**

Drug Types

- **Generic:** A generic drug is the same as a brand name drug in dosage, safety, strength, how it is taken, quality, performance, and intended use. Before approving a generic drug product, FDA required rigorous tests and procedures to assure that the generic drug can be substituted for the brand name drug. Generic drugs do not have a patent and are typically cheaper than their brand-name counterparts.
- **Brand Non-Specialty:** A drug marketed under a proprietary, trademark-protected name. An approved patent protects the drug formula from being copied, affording drug companies protection against the generic competition for a period of time. For this reason, brand-name drugs typically charge a higher price.
- **Brand Specialty:** Brand Specialty drugs tend to be the most expensive type of prescription and are branded products. Although the FDA provides no standard definition, specialty drugs are generally defined by insurers, manufacturers, and other health care organizations as prescription products that:
 - require extra handling and/or administration (such as injection or infusion products) or
 - used to treat complex, chronic, and life-threatening diseases.

The graphic below illustrates the flow of services and payments, including rebates:

PRESCRIPTION DRUG SUPPLY CHAIN AND FUND FLOW

