



The Impact of the Affordable Care Act on Pharma

Price Waterhouse Cooper recently released an evaluation of the state of the pharmaceutical business and projections for 2020. Due to anticipated population growth, an aging America, and the preponderance of risk factors like obesity, they forecasted pharmaceutical sales to reach \$425 billion by the end of the decade despite a wave of anticipated patent expirations.

However, GlobalData of London asserts that the Affordable Care Act will provide an additional boost to pharmaceutical balance sheets, increasing revenue by a full third by the end of the decade as millions of uninsured Americans secure coverage. Despite expiring patents on blockbuster drugs and a wave of new regulation from the Affordable Care Act that will cost drug makers, their analysis shows that the pharmaceutical industry will reap between “\$10 billion and \$35 billion in additional profits over the next decade.” They therefore project that the U.S. pharmaceutical industry’s market value will in fact reach \$476 billion in 2020 from \$359 billion last year.

Both firms agree that generics will benefit from the most significant growth. In fact, PWC expects generic sales to jump +32.4%. Furthermore, as the population ages, enrollment in Medicaid is expected to increase by close to 20 million people according to GlobalData, driving the success of certain classes of drugs. And cardio vascular disease and cancer are anticipated to remain the biggest challenge in non-communicable disease, subsequently those pharmaceuticals addressing this need will benefit.

There will be some sacrifices required of the industry. GlobalData says higher rebates for prescription drugs provided through the Medicaid programs will cost the industry about \$20 billion over the next decade. Furthermore, drug-makers must also pay new “excises taxes on branded drugs, which are expected to reach \$30 billion by 2021,” according to a company representative. Nevertheless, the long term outlook is nothing but positive with the gains far exceeding the losses for pharmaceuticals.