

Spread of \$100 Across Various Channels in the Generic Drug Supply Chain

The market dynamics of brand and generic drugs are very different. The brand industry is generally controlled by one manufacturer with exclusivity, while the generic industry follows a multi-competitor model with drug prices decreasing as more competitors enter the marketplace. Because of the different competitive factors and financial relationships, generic manufacturer revenues are responsible for only 36 percent of the final costs for generic products versus 76 percent for brand products. It is important that policymakers consider the differences inherent in the branded and generic prescription drug markets when considering public policy changes concerning drug pricing.

