

A young man and woman with curly hair, wearing aprons, are looking at a tablet together in what appears to be a shop or pharmacy. The background is a brick wall with shelves.

NEW REPORT

How High Prescription Drug Prices Hurt Small Businesses

July 2021

THE CAMPAIGN TO
Reduce Drug Prices

PROTECT
OUR CARE

A logo for 'Small Business for America's Future' featuring a stylized city skyline with various buildings in blue, yellow, and green.

SMALL BUSINESS
FOR AMERICA'S FUTURE

NEW REPORT:

How High Prescription Drug Prices Hurt Small Businesses

Small businesses are the backbone of the American economy, comprising more than [99 percent](#) of all businesses in the United States. Despite their critical role, many small businesses struggle to provide health coverage to their workers due to skyrocketing prescription drug costs. In recent years, [nearly half](#) of small business owners who have made adjustments to decrease health care expenses have been forced to transfer coverage costs to their workers through increased deductibles, copayments, or premiums, with some reducing or completely eliminating coverage for dependents.

Owners of small businesses overwhelmingly agree that there needs to be bold action to rein in rising prescription drug costs. [93 percent](#) of small business owners believe the prescription drug pricing market needs changes. This should come as no surprise, as 25 percent of small businesses report prescription drug prices as the [largest struggle](#) they face when providing health coverage to workers. If decisive action is not taken, the outcome for American small business owners and their workers could be disastrous. A 2021 Small Business For America's Future survey found [nearly one third](#) of small businesses currently providing health coverage are considering eliminating the benefit largely due to rising health care costs. In a system where [nearly half](#) of Americans receive their coverage through an employer, we cannot permit the greed of Big Pharma to encumber small business owners, while simultaneously robbing workers of their health coverage.

Regardless of [political affiliation](#), small business owners overwhelmingly agree that government action is needed to rein in pharmaceutical corporations and lower drug costs. President Biden is committed to addressing these concerns, demonstrated by his [support](#) for Medicare negotiation, increasing access to generic drugs and biosimilars, addressing price gouging, and encouraging an end to "pay for delay" schemes that allow pharmaceutical corporations to pay competitors to delay generic drugs and biosimilars from coming to market.

We must build on this momentum. The Lower Drug Costs Now Act (H.R. 3) would dramatically reduce the cost of prescription medications by empowering the federal government to negotiate prescription drug prices. Negotiation would raise approximately [\\$45 billion](#) in revenue, largely due to the availability of lower drug prices reducing the estimated cost of employer provided health insurance. The [Congressional Budget Office](#) estimates this would result in lower premiums for employer-sponsored coverage. Negotiation would also save patients more than [\\$150 billion](#) at the pharmacy counter and create [\\$500 billion](#) in savings for the federal government that could be reinvested to reduce premiums, expand Medicare benefits to include dental, vision, and hearing, and close the Medicaid coverage gap in the 12 states that have refused to accept expansion. Small businesses cannot wait, the time to lower prescription drugs prices is now.

KEY POINTS

- **The rising cost of prescription drug prices is crushing small businesses.** [Nearly one in three](#) small businesses currently providing health benefits to their workers have considered ending their sponsored coverage and more than half have delayed growth opportunities due to the rising cost of health care. [93 percent](#) of small business owners believe the prescription drug market needs to undergo changes, with 66 percent calling for a major overhaul.
- **Small businesses are being forced to pass along coverage costs to customers and workers.** Many small business owners report wanting to “[do the right thing](#)” when it comes to providing health coverage for their workers. Tragically, that goal is being pushed increasingly out of reach, as many owners are being forced to raise prices on goods and services and/or increase deductibles and premiums in order to continue providing coverage.
- **Small businesses demand bold action to lower prescription drug prices.** Regardless of where they sit on the political spectrum, small business owners want strong government action on this issue, with [87 percent](#) stating it is important for the Biden-Harris administration and Congress to lower prescription medication prices. In a recent survey, the [majority of small business owners](#) overwhelmingly supported solutions such as capping out-of-pocket costs for seniors, Medicare negotiating drug prices, prohibiting anti-competitive behaviors that delay price competition, and penalizing drug companies that increase their prices faster than inflation.

The Rising Cost Of Prescription Drugs Is Crushing Small Businesses

Rising Prescription Drug Prices Prevent Small Businesses From Providing Health Coverage. One quarter of small businesses report prescription drug prices as the [largest struggle](#) they face when providing health coverage to workers. [Nearly one third](#) of small businesses currently providing health coverage are considering eliminating the benefit, with 78 percent citing cost as the reason.

Health Costs For Small Businesses Are Rising At An Alarming Rate. The ability for small businesses to provide coverage to workers is threatened by rising health care costs. Many small business owners report the [financial stress](#) of providing health coverage to workers diminishes their ability to compete with large businesses when recruiting and retaining workers. [75 percent](#) of those providing coverage reported increased costs over the past four years, with nearly half experiencing significant increases of 7 percent or more.

Small Business Owners Overwhelmingly Agree — Major Change Is Needed To Lower Prescription Drug Costs. [Nearly nine in ten](#) small business owners reported they found the cost of prescription medications to be excessive. 93 percent believe it is necessary for the prescription drug market to undergo changes, with 66 percent calling for a major overhaul of the system.

Small Businesses Are Being Forced To Pass Along Coverage Costs To Customers And Workers

Health Care Costs, Fueled By High Drug Costs, Restrict Small Business Growth And Limit Worker Benefits. More than [99 percent](#) of businesses in the United States are small businesses of fewer than 500 workers. Nearly 32 million small businesses employ approximately 61 million people. Many small businesses report wanting to “do the right thing” and provide health benefits to workers, but struggle to do so. [40 percent](#) have increased costs of goods or services in an attempt to accommodate rising coverage costs, with more than one in three postponing hiring. 15 percent have limited their number of workers or laid off workers to keep up with growing coverage costs.

Soaring Health Coverage Costs Put Many Small Businesses Between A Rock And A Hard Place. Since 2015, nearly half of small business owners who provide health benefits have taken steps to [transfer health care costs](#) from employer to worker in order to continue providing coverage. [Nearly half](#) have increased worker deductibles or copayments, 25 percent have increased premiums, and 16 percent decreased or completely eliminated coverage for dependents.

Rising Health Costs Are Hindering Small Business Growth. Due to the rising costs of coverage, [55 percent](#) of small business owners providing health coverage to workers have reported delaying growth opportunities.

Small Businesses Demand Bold Action To Lower Prescription Drug Prices

The Federal Government Must Act To Support Small Businesses. [Nearly nine in ten](#) small business owners believe it is important for the Biden-Harris administration and Congress to lower prescription medication prices. Small businesses crave bold action, not half measures. In a [2021 survey](#), more owners were concerned about the federal government not going far enough in their reforms (42 percent), as opposed to going too far (27 percent).

Small Businesses Want To Stop Egregious Price Increases. When it comes to ensuring prescription drug price increases do not exceed inflation, [82 percent](#) support government regulation to end unjustified price increases.

Small Businesses Don't Buy Big Pharma's Messaging. [Nearly 80 percent](#) of small business owners know that taking action to lower prescription drug costs will not stifle the pharmaceutical industry's ability to innovate. [88 percent](#) believe that pharmaceutical corporations are either very or somewhat responsible for the rising cost of health care.

Business Owners Understand The Need For Negotiation And Fair Competition. [85 percent](#) of small business owners support empowering Medicare to negotiate directly with pharmaceutical companies to lower the cost of prescription drugs, with [nearly nine in ten](#) supporting a limit on out-of-pocket prescription medication costs for Medicare beneficiaries.

Small Businesses Want Accountability For Drugmakers. [90 percent](#) support government action to address anti-competitive behaviors by pharmaceutical corporations and support allowing more generic medications to enter the market.