

DRUG PRICING, LET'S GET REAL



One out of every four Americans struggle to afford prescription drugs. Many skip days, do not fill prescriptions and sacrifice needed food for medicine or needed medicine to pay the rent. There are more bankruptcies in the United States due to medical costs, with the cost of drugs as one of the main culprits. This is an unconscionable situation, and after several years of trying, The U.S. Congress has failed to pass drug pricing legislation that protects the American patient population. And, yes, unlike every developed nation in the world, our government is currently prohibited from negotiating prescription drug prices to get the best deal for the American. People. This is unlikely to change at any time soon.

The price of the top 20 drugs is almost 3 times higher in the U.S, than in the UK; six times higher than in Brazil and sixteen times higher than in India. A 2016 study in the Journal of the American Medical Association (JAMA) found that “contrary to the hype about needing the profits from older medications to innovate and develop new remedies, there was no evidence to indicate that research and development costs should justifiably be passed on only to the American consumer.” The cost of prescription drugs in the United States, they wrote is “primarily based on what the market will bear.” The only way to

counter these high prices, is to demand that stricter rules on drug pricing, are enforced.

Legislation passed by the U.S. Congress in 2003 during the George Bush presidency, allows pharmaceutical companies to set the cost of a new medication at whatever exorbitant unaffordable rate that they wish. Furthermore, pharmaceutical companies are granted a monopoly on certain drugs that they develop, for a limited number of years, at which time, a generic version can be manufactured and sold by other companies. However, there is a lot of manipulation that occurs. The original holder of the monopoly on a drug, can make the slightest change in the formulation, submit it as a completely new drug to the FDA, and it is often approved.

The reason for this situation is multifold and complex.

1. Many of our leaders in Congress lack the will to make changes to drug pricing because they are influenced by lobbyists who have contributed to their campaigns.

2. U.S. policy makers are faced with the difficult challenge of balancing the desire to incentivize innovation that improves population health, with the challenge of lowering costs of drugs, in a diverse patient population, with highly variable priorities and values. There is always the fear that if the pharmaceutical suppliers are forced to lower or control their drug prices, they will refuse to innovate and fund the research to develop new drugs, that address both existing disease problems, such as heart disease, diabetes and cancer, and new disease problems such as COVID-19.

Where that argument fails, is that much drug development is funded, not by the companies, themselves, but typically by the National Institutes of Health, and by venture capital funding. Furthermore, biotech companies who are anxious to succeed with a new drug, in the heavily competitive environment of drug development, will not stop innovating, even if, at the end of development, they are faced with regulation regarding what they can charge. Many policymakers seeking to lower drug spending suggest benchmarking U.S. prices against other countries, including: EU Nations, where the prices are controlled by National Health Systems. Although we know that reveals

that U.S, consumers are paying much higher prices for the same drug, as a counterpart in another country, our leaders have not mobilized to change the system.

President Biden recently reintroduced legislation to address the drug pricing issue, with several elements that would:

1. Enable negotiation of drug prices by Medicare. for high-cost prescription drugs, including those that seniors get at the pharmacy counter (through Medicare Part D), and drugs that are administered in a doctor's office (through Medicare Part B)
 2. End the practice by Pharma of unilaterally setting prices for a new drug without negotiation The legislation provides that drugs become eligible for negotiation once they have been on the market for a fixed number of years: 9 years for small molecule drugs and 12 years for biologics.
 3. Establish a clearly defined negotiation process that is fair for manufacturers, and gets the biggest savings on drugs that have been on the market a long time. This discourages drug companies from abusing laws to prolong their monopolies, while encouraging investments in research and development of new cures. Drug companies that refuse to negotiate will owe an excise tax.
 4. Impose a tax penalty if drug companies increase their prices faster than inflation. If prices for a drug increase faster than inflation, manufacturers will owe a tax, which should hold down prices for Americans with all types of health insurance.
 5. Directly lower out-of-pocket costs for seniors. Today, there is no cap on how much seniors and people with disabilities have to pay for drugs, and millions of seniors pay more than \$6,000 a year in cost-sharing. This proposal puts an end to this burden, and ensures that seniors never pay more than \$2,000 a year for their drugs under Medicare Part D.
 6. The plan will also lower insulin prices so that Americans with diabetes don't pay more than \$35 per month for their insulin.
- Lawmakers have also agreed to lower seniors' cost-sharing for all types of drugs, and they are working expeditiously to finalize legislative text that will save seniors' money at the pharmacy counter,

without increasing their premiums. These provisions on drug pricing are a part of the Build Back Better legislation that was submitted to the Congress on Nov 1 2021

Decades ago, most major drugs were developed by the large pharmaceutical companies that sold them. But that system has changed. Today, most drugs originate in small biotech start-ups. These firms are devoted to the development of a single drug, and they are financed by venture capital firms that are willing to make risky bets, in the hopes that one will pay off big. In the case of biotech, the payoff usually comes when a promising drug comes along and the company is purchased by a bigger company.

The Pharmaceutical industry spent over \$306 million in 2020 to lobby our countries' leaders, regarding any attempts at the passage of new legislation that would restrict drug pricing. There were 1,502 registered pharmaceutical lobbyists in 2020, 63.58% of whom were former government employees. The pharmaceutical industry expenditures of \$306 million on lobbying exceeds that of all other industries. by an order of magnitude. with electronics as second, spending \$156.9 million and insurance as third, spending \$151 million. In the last two decades, Pharma has spent over \$600 billion to lobby politicians on the Federal and State levels which is why drug pricing has been so difficult to contain. This must be stopped!!

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