

Tough Pill to Swallow – The High Price of Prescription Drugs in the US

Ver. 1.2
September 27, 2016

Prepared by the Institute for Health and Socio-Economic Policy

The Institute for Health & Socio-Economic Policy (IHSP) is a non-profit policy and research group and is the exclusive research arm of the California Nurses Association/National Nurses United. The IHSP focus is current political/economic policy analysis in health care and other Industries and the constructive engagement of alternative policies with international, national, state and local bodies to enhance promote and defend the quality of life for all.

The Health Care Advisory Board is comprised of scholars and policy activists from the Albert Einstein College of Medicine, Boston University, Harvard University, the Canadian National Federation of Nurses' Unions, the New School New York and the University of California.

SUMMARY

- Spending on prescription drugs increased dramatically in the US over the last several decades, and shows no sign of slowing
 - In 2014 drug costs in the US had grown to 761% of what they were in 1984
 - From 2013 to 2015, spending on drugs grew 20%
 - Spending on drugs is projected to grow 80% over the next 10 years

- The primary cause for increased spending on prescription drugs in the US is high prices of brand-name drugs
 - From 2008 to 2015 the price of brand-name drugs in the US increased by 164%
 - The average price of cancer drugs increased from \$5,000 to \$10,000 before 2000 to over \$100,000 by 2012
 - Between 2011 and 2015, the average price increase for the nation's top 10 selling brand-name drugs was 91%
 - Newly approved specialty medications are charging astronomical prices

- Generic drugs have been experiencing significant price increases as well
 - Nearly 400 generic medications had price increases of more than 1,000% between 2008 and 2015.
 - In 2014, half of all retail generic drugs became more expensive, with one out of 11 more than doubling in cost

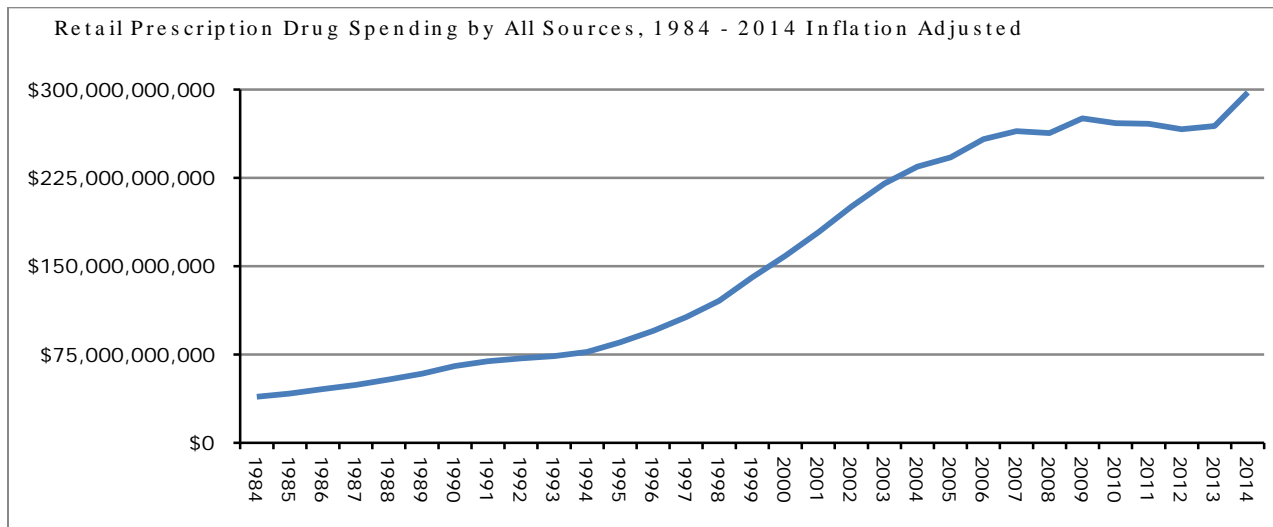
- US prices more expensive than other nations
 - In 2015 US prices for the world's 20 top selling drugs were three times higher than in Britain, six times higher than in Brazil, and 16 times higher than the average in the lowest-price country, usually India
 - A study published by the American Society of Clinical Oncology in 2016 indicated that US prices for brand-name cancer drugs were nearly triple the price of the next highest nation reviewed in the report, and more than double the average price for generic cancer medications for the other nations reviewed
 - Medicare paid more than similar programs in Great Britain for 39 of the top 40 branded drugs, 37 of the top 40 in Norway, and 28 out of 30 in Ontario, Canada
 - The 2013 and 2015 International Federation of Health Plans' price surveys revealed that out of 8 countries and 14 drugs, the US paid the highest prices for drugs in 13 out of the 14 cases

Tough Pill to Swallow – The High Price of Prescription Drugs in the US

*A drug company can increase the price of a product many times over, and people will still buy it because they need it.*¹

Kevin Riggs, M.D., Johns Hopkins University

Between 1984 and 2014 spending on retail drugs in the US has swelled 761%, rising from \$39 billion to \$298 billion in inflation adjusted dollars. Over the same period, drug costs have more than doubled as a percentage of total national health expenditures – going from 4.8% to 9.8% of total spending.² In 2015, 16.7% of all personal health spending was devoted to purchasing medications, including non-retail drugs, according to the Department of Health and Human Services. While drug costs seemed to stabilize after 2009, growth returned in 2014 with a 12.6% jump in spending from the previous year.³ Medicare Part D spending on medications grew an eye-popping 17% in 2014.⁴ From 2013 to 2015 spending on prescription drugs increased 20%.⁵ Drug costs are expected to continue rising at an average rate of 6.7% annually from 2016 through 2025.⁶ This translates into an 80% increase over the 10 year period.



Source: <http://www.healthsystemtracker.org/>

¹ Is There a Cure for High Drug Prices? By Consumer Reports, July 29, 2016.

<http://www.consumerreports.org/drugs/cure-for-high-drug-prices/>

² Peterson-Kaiser Health System Tracker. <http://www.healthsystemtracker.org/interactive/health-spending-explorer/?display=U.S.%2520%2524%2520Billions%2520-%2520Inflation%2520Adjusted&service=Prescription%2520Drug&rangeType=range&years=1984%252C2014>

³ Observations on Trends in Prescription Drug Spending, 03/08/2016. Office of the Assistant Secretary for Planning and Evaluation, HHS. <https://aspe.hhs.gov/pdf-report/observations-trends-prescription-drug-spending>

⁴ Medicare Part D spending rose 17% in 2014 because of high-cost drugs, By Shannon Muchmore, August 18, 2016.

http://www.modernhealthcare.com/article/20160818/NEWS/160819917?utm_source=modernhealthcare&utm_medium=email&utm_content=20160818-NEWS-160819917&utm_campaign=am

⁵ The High Cost of Prescription Drugs in the United States. Aaron S. Kesselheim, MD, JD, MPH; Jerry Avorn, MD;

Ameet Sarpatwari, JD, PhD. *JAMA*. 2016;316(8):858-871. <http://jama.jamanetwork.com/article.aspx?articleid=2545691>

⁶ National Health Expenditure Projections 2015-2025 – Forecast Summary. <https://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/NationalHealthExpendData/Downloads/Proj2015.pdf>

“\$1bn here we come.” Martin Shkreli to the Turing board regarding the purchase of Daraprim⁷

Rising drug costs have several causes, including increasing numbers of people using prescription medications and the advent of new drugs to treat more conditions than in the past. These mitigating factors, however, do not undercut the fact that a key driver in exploding drug costs is rising prices. Martin Shkreli, former CEO of Turing Pharmaceuticals, brought this issue to national attention after his company acquired Daraprim – an affordable and readily available drug used mostly by HIV patients to treat toxoplasmosis – and raised its price by 5,500% overnight, from \$13.50 a pill to \$750. The price spike strained hospital budgets and drove up the copayments of HIV patients by thousands. Shkreli and Turing were loudly condemned for their greed in the press, in Congressional hearings, and even by multiple presidential candidates. Months later, in the summer of 2016, a similar controversy emerged when it became public that the price of the EpiPen, a widely used treatment for life-threatening allergic reactions developed in the 1970s, had increased by nearly 550% since being acquired by a company called Mylan NV in 2007, from \$94 to \$609.⁸ Coincidentally, the company’s CEO, Heather Bresch, saw her compensation increase by 671% over the same period (while the company’s top five managers were paid nearly \$300 million over the last five years).⁹ Mylan, like Turing, was widely condemned for its spectacular price increases in the press and elsewhere. While the pricing gouging employed by these companies was dramatic, it is not unusual, and certainly not illegal.

In the US, unlike many other countries, drug corporations are allowed to set prices to maximize profits. When a drug company determines that higher prices will yield higher profits, it is free to raise prices as high as it sees fit. Medicare, which is by far the largest single buyer of prescription drugs in the US, accounting for 28% of all purchases, is actually barred by law from negotiating with drug companies over prices. This is in stark contrast to the practices of virtually all other industrialized nations, which negotiate drug prices at the national level. The US pharmaceutical industry, with no price regulations and limited competition, has been free to inflate prices at will for years. Not surprisingly, we pay by far the highest drug prices in the world, in spite of the fact that much of the basic drug research is subsidized by US tax dollars.¹⁰

⁷ ‘\$1bn here we come.’ — Martin Shkreli told Turing board as Daraprim buy got closer, Feb 3, 2016. Barbara Kollmeyer. <http://www.marketwatch.com/story/1bn-here-we-come-martin-shkreli-told-turing-board-as-daraprim-buy-got-closer-2016-02-03>

⁸ Mylan’s EpiPen Price Increases Highlight its Grip on Market, 8/25/2016. Jonathan D. Rockoff. <http://www.wsj.com/articles/mylans-epipen-price-increases-highlight-its-grip-on-the-market-1472154769?tesla=y>; and An EpiPen is 500% more expensive than it was in 2007 — here’s how that happened; by Lydia Ramsey and Andy Kiersz, Aug. 24, 2016. <http://www.businessinsider.com/epipen-price-increases-2016-8>

⁹ Mylan CEO’s Pay Rose Over 600 Percent as EpiPen Price Rose 400 Percent; by Ben Popken, Aug 23 2016. <http://www.nbcnews.com/business/consumer/mylan-execs-gave-themselves-raises-they-hiked-epipen-prices-n636591>; and EpiPen Maker Dispenses Outsize Pay, By Mark Maremont, Sept. 13, 2016. <http://www.wsj.com/articles/epipen-maker-dispenses-outsize-pay-1473786288>

¹⁰ Why Are Cancer Drugs So Expensive in the United States, and What Are the Solutions? Hagop Kantarjian, MD, and S. Vincent Rajkumar, MD, Mayo Clin Proc. April 2015;90(4):500-504. [http://www.mayoclinicproceedings.org/article/S0025-6196\(15\)00101-9/pdf](http://www.mayoclinicproceedings.org/article/S0025-6196(15)00101-9/pdf) and

The High Cost of Prescription Drugs in the United States. Aaron S. Kesselheim, MD, JD, MPH; Jerry Avorn, MD; Ameet Sarpatwari, JD, PhD. JAMA. 2016;316(8):858-871. <http://jama.jamanetwork.com/article.aspx?articleid=2545691>

Raising Prices

*It comes down to simple greed...You're denying patients access to life-saving medications by jacking the prices up sky high.*¹¹

Dr. Henry Jacobs, President of the Connecticut State Medical Society

According to a recent study published in the Journal of American Medical Association, the primary cause for increased spending on prescription drugs in the US is high prices of brand-name drugs.¹² A quick run through of recent price data will illustrate this point. Express Scripts, the largest pharmacy benefits company in the US, reports that the average price of brand-name drugs increased 164% between 2008 and 2015 (while the consumer price index increased only 12%). In 2015 the prices for brand-name products spiked 16.2%, while one-third had price increases greater than 20%.¹³ The average price of cancer drugs increased from \$5,000 to \$10,000 before 2000 to over \$100,000 by 2012.¹⁴

Individual examples of huge price increases are virtually endless:

Drug	Use	Price Increase
Vimovo	arthritis pain reliever	1,270% from 2013 to 2015
Dutoprol	high blood pressure	1,014% from 2013 to 2015
Tasmar	Parkinson's disease	675% from 2013 to 2015
Zonegran ¹⁵	epilepsy	667% from 2013 to 2015
Isuprel	heart problems	718% in 2015 alone
Nitropress	blood pressure	526% in 2015 alone
Cuprimine ¹⁶	Wilson's disease	2,850% in 2015 alone
Gleevec ¹⁷	chronic myeloid leukemia	355% from 2001 to 2016

¹¹Drug Prices Keep Rising Despite Efforts To Reduce Out-Of-Pocket Costs; By Sujata Srinivasan, 8/22/2016.

<http://c-hit.org/2016/08/22/drug-prices-keep-rising-despite-efforts-to-reduce-out-of-pocket-costs/>

¹² The High Cost of Prescription Drugs in the United States. Aaron S. Kesselheim, MD, JD, MPH; Jerry Avorn, MD; Ameet Sarpatwari, JD, PhD. *JAMA*. 2016;316(8):858-871. <http://jama.jamanetwork.com/article.aspx?articleid=2545691>

¹³ <http://lab.express-scripts.com/lab/drug-trend-report>

¹⁴ Why Are Cancer Drugs So Expensive in the United States, and What Are the Solutions? Hagop Kantarjian, MD and S. Vincent Rajkumar, MD. April 2015, Volume 90, Issue 4, Pages 500–504. [http://www.mayoclinicproceedings.org/article/S0025-6196\(15\)00101-9/abstract](http://www.mayoclinicproceedings.org/article/S0025-6196(15)00101-9/abstract)

¹⁵ Hedge Funds Attack American Health Care; Bill Ackman, 30 Sep 2015. http://hedgeclippers.org/hedgepapers-no-22-hedge-funds-attack-american-health-care/#_ftn3

¹⁶ Is There a Cure for High Drug Prices? By Consumer Reports, July 29, 2016.

<http://www.consumerreports.org/drugs/cure-for-high-drug-prices/>

¹⁷ https://www.washingtonpost.com/business/this-drug-is-defying-a-rare-form-of-leukemia--and-it-keeps-getting-pricier/2016/03/09/4fff8102-c571-11e5-a4aa-f25866ba0dc6_story.html

*Two sincere requests...Let's not fold to advocacy pressure in 2014. Let's hold our position whatever competitors do or whatever the headlines.*¹⁸

Kevin Young, Gilead's vice president –
November 2013, shortly before Sovaldi was cleared for sale by U.S. regulators

Another central cause of rising drug costs is the astronomical prices of some specialty medications recently approved by the FDA. Examples include Biogen Idec's multiple sclerosis drug Tecfidera, \$54,900 for a year of treatment; and Vertex Pharmaceuticals' cystic fibrosis drug, \$259,000 annually.¹⁹ One of the most costly new drugs to enter the pharmaceutical market in recent years is Gilead's hepatitis C medications, Sovaldi and Harvoni. Sovaldi, which came out first, represented a vast improvement over previous treatments, working nearly 90% of the time with few side effects (as opposed to about half the time with many side effects). It was truly a breakthrough drug and game changer for those whose livers were being ravaged by hepatitis C. The only problem was the price: \$1,000 a pill, or \$84,000 for a 12 week course of treatment. Sovaldi created such a financial burden that the medication had to be rationed for thousands of patients on Medicaid and in prisons. In New Mexico and other states, Medicaid beneficiaries with hep C had to wait until they had late-stage liver disease before qualifying for Sovaldi.²⁰ A congressional investigation into the high cost for the hepatitis C treatment concluded that the price was set without any regard for basic financial consideration such as research and development or acquisition costs. The investigation further concluded that the company's only concern was maximizing profits. Gilead knew the price would put the drug out of reach for many patients and cause "extraordinary problems" for government health programs.²¹ In fact, the company predicted that 24% of insurers and other U.S. payers would restrict patient access to Sovaldi if the drug was priced at \$75,000 per patient and 47% if priced at \$90,000. Despite this information, the company chose to price the drug at \$84,000.²²

It's important to point out that budget breaking prices aren't merely the realm of specialty drugs for rare conditions or greedy outlier corporations. The steady march toward higher brand-name prices is ubiquitous across the industry, including for the most widely prescribed drugs in the country. Between 2011 and 2015, the average price increase for the nation's top 10 drugs was 91% (see table below). The sales revenue for these drugs increased by 44% between 2011 and 2014, reaching \$54 billion, at the same time as the actual prescriptions for them dropped by 22%.²³ Another example is insulin, widely used among the 29 million Americans with diabetes, which nearly tripled in price between 2002 and 2013.²⁴

¹⁸ Why the U.S. Pays More Than Other Countries for Drugs: Norway and other state-run health systems drive hard bargains, and are willing to say no to costly therapy. By Jeanne Whalen, Updated Dec. 1, 2015 <http://www.wsj.com/articles/why-the-u-s-pays-more-than-other-countries-for-drugs-1448939481>

¹⁹ <http://healthaffairs.org/blog/2015/08/31/rising-cost-of-drugs-where-do-we-go-from-here/>

²⁰ The True Cost of an Expensive Medication: The U.S. is unique among Western countries in that it doesn't regulate drug prices. One nurse tells the story of what it's like to watch patients get sicker when they can't afford a pricey treatment. Sep 25, 2015 <http://www.theatlantic.com/health/archive/2015/09/an-expensive-medications-human-cost/407299/>

²¹ Wyden-Grassley Sovaldi Investigation Finds Revenue-Driven Pricing Strategy Behind \$84,000 Hepatitis Drug. December 01, 2015 <http://www.finance.senate.gov/ranking-members-news/wyden-grassley-sovaldi-investigation-finds-revenue-driven-pricing-strategy-behind-84-000-hepatitis-drug>

²² <http://www.wsj.com/articles/gilead-knew-hepatitis-drug-price-was-high-senate-says-1449004771>

²³ Exclusive: Makers took big price increases on widely used U.S. drugs. By Caroline Humer, Apr 5, 2016: <http://www.reuters.com/article/us-usa-healthcare-drugpricing-idUSKCN0X10TH>

²⁴ What's behind skyrocketing insulin prices? BY Ed Silverman, STAT. April 5, 2016. <http://www.pbs.org/newshour/rundown/whats-behind-skyrocketing-insulin-prices/>

Price increases for the top 10 drugs by U.S. sales²⁵

Drug	Drug Company	Use	Price Increase 2011- 2015	2015 Sales in US
Humira	AbbVie Inc	rheumatoid arthritis	126%	\$8.4 billion
Enbrel	Amgen	rheumatoid arthritis	118%	\$5.1 billion
Copaxone	Teva Pharmaceutical Industries Ltd	multiple sclerosis	118%	\$4.0 billion
Crestor	AstraZeneca Plc	cholesterol	113%	\$2.84 billion
Abilify	Otsuka Pharmaceutical Co Ltd	depression	96%	\$8 billion
Lantus Solostar	Sanofi SA	insulin - diabetes	94%	\$4.55 billion
Advair Diskus	GlaxoSmithKline Plc	asthma treatment	67%	\$2.85 billion
Remicade	Johnson & Johnson	arthritis treatment	63%	\$4.45 billion
Neulasta	Amgen Inc	prevents infection in chemotherapy patients	55%	\$3.89 billion
Nexium	AstraZeneca Plc	acid reflux	55%	\$2.5 billion

*When we polled our members about a year ago, they were experiencing a rash of dramatic price increases for generic drugs...Some of the rises occurred virtually overnight. And it continued to snowball and impact more and more medications.*²⁶

Kevin Schweers, 2015 - senior vice president, National Community Pharmacists Association

Generic drugs, surprisingly, have also experienced significant price increases in recent years. While the prices of many generic drugs have remained stable, nearly 400 showed price increases of more than 1,000% between 2008 and 2015. In 2014, half of all retail generic drugs became more expensive, with one out of 11 more than doubling in cost.²⁷ Many of these increases were pushed through by industry consolidation and firms taking advantage of monopolies or near-monopoly situations with old generic medications. Turing Pharmaceuticals exploited this strategy when it acquired the 63 year old drug Daraprim and raised its price by over 5,500% – despite the lack of patent protection, no other firm was licensed to sell the drug in the US.²⁸ Stratospheric price spikes have hit a variety of other generics in recent years, including the antibiotic Doxycycline Hyclate (8,281% increase in the average price), asthma medicine Albuterol Sulfate (4,014% increase), heart medication Glycopyrrolate (2,728% increase),²⁹

²⁵ Factbox: Price hikes shore up revenue for top-selling U.S. drugs, Apr 4, 2016. By Caroline Humer.

<http://www.reuters.com/article/us-usa-healthcare-drugpricing-factbox-idUSKCN0X10U9?mod=related&channelName=healthNews>

²⁶ <http://www.aarp.org/health/drugs-supplements/info-2015/prices-spike-for-generic-drugs.html>

²⁷ Retail Generic Drug Inflation Reaches New Heights. 8/12/2014. <http://www.drugchannels.net/2014/08/retail-generic-drug-inflation-reaches.html>

²⁸ Express Scripts 2015 Drug Trend Report: <http://lab.express-scripts.com/lab/drug-trend-report>

²⁹ Ranking Member Cummings and Chairman Sanders Investigate Staggering Price Increases for Generic Drugs: <http://democrats.oversight.house.gov/sites/democrats.oversight.house.gov/files/documents/Table%20on%20Generic%20Drug%20Price%20Increases%20FINAL.pdf>

colchicine, the centuries old treatment for gout (2,000% increase)³⁰, and old cardiac drugs isoproterenol (2,500% increase), nitroprusside (1,700% increase), and digoxin (637%).³¹

US Drug Prices Highest in World

*The US represents about 5 per cent of the global population but about a third of the world's drug revenue and somewhere between 50 per cent to 70 per cent of the world's drug profitability.*³²

Dr Steve Miller, chief medical officer of Express Scripts

Given the level of price inflation discussed above, it is no surprise that drug prices are higher in the US than any other country on Earth. The US spends nearly double per capita on drugs than the average rate of other OECD countries.³³ According to a 2015 analysis by Reuters, US prices for the world's 20 top selling drugs were three times higher than in Britain, six times higher than in Brazil, and 16 times higher than the average in the lowest-price country, usually India.³⁴ A study published by the American Society of Clinical Oncology in 2016 indicated that US prices for brand-name cancer drugs were nearly triple the price of the next highest nation reviewed in the study, and more than double the average price for generic medications for the other nations reviewed.³⁵ A report by the Wall Street Journal found that Medicare paid significantly higher prices for drugs than other national drug purchasing programs in high income countries. Medicare paid more than similar programs in Great Britain for 39 out of the 40 top branded drugs available in both countries, in Norway for 37 out of 40, and in Ontario, Canada for 28 out of 30.³⁶

The 2013 and 2015 International Federation of Health Plans' price surveys revealed that out of 8 countries and 14 drugs, the US paid the highest prices for 13 out of the 14 drugs reported. The surveys showed Switzerland paid only 35% of what US buyers paid for Xarelto (blood clots), 31% for Humira (arthritis), 53% for Harvoni (hepatitis C), 70% for Truvada (HIV/AIDS), 36% for Tecfidera (multiple sclerosis), 45% for Avastin (cancer), and 36% for OxyContin (pain). The Netherlands was shown to only pay 68% of what US buyers paid for Enbrel (Autoimmune diseases), 53% for Gleevec (cancer and Leukemia), 67% for Humira (rheumatoid arthritis), 30% for Copaxone (multiple sclerosis), 44% for

³⁰ 2,000% Drug Price Surge Is a Side Effect of FDA Safety Program. By Robert Langreth, 10/6/2015.

<http://www.bloomberg.com/news/articles/2015-10-06/2-000-drug-price-surge-is-a-side-effect-of-fda-safety-program>

³¹ The High Cost of Prescription Drugs in the United States. Aaron S. Kesselheim, MD, JD, MPH; Jerry Avorn, MD; Ameet Sarpatwari, JD, PhD. *JAMA*. 2016;316(8):858-871. <http://jama.jamanetwork.com/article.aspx?articleid=2545691>

³² Price of cancer drugs vastly higher in US, according to study, June 6, 2016; by David Crow.

<http://www.ft.com/cms/s/0/851cd240-2b6f-11e6-bf8d-26294ad519fc.html?siteedition=intl#axzz4KSHRvoDD>

³³ http://www.oecd-ilibrary.org/sites/health_glance-2013-en/07/04/g7-04-01.html?itemId=/content/chapter/health_glance-2013-67-en&mimeType=text/html&csp_=82798c694fdeaaf10461068180fbef5d

³⁴ <http://www.reuters.com/article/us-pharmaceuticals-usa-comparison-idUSKCN0S61KU20151012>

³⁵ <http://meetinglibrary.asco.org/content/164423-176>

³⁶ Why the U.S. Pays More Than Other Countries for Drugs: Norway and other state-run health systems drive hard bargains, and are willing to say no to costly therapy. By Jeanne Whalen, Updated Dec. 1, 2015 <http://www.wsj.com/articles/why-the-u-s-pays-more-than-other-countries-for-drugs-1448939481>

Gilenya (multiple sclerosis), 50% for Celebrex (pain), 27% for Cymbalta (depression), and 11% for Nexium (acid reflux).³⁷

IFHP 2015 Survey	South Africa	Spain	Switzerland	United Kingdom	US
Xarelto (blood clots)	\$48	\$101	\$102	\$126	\$292
Humira (arthritis)	\$552	\$1,253	\$822	\$1,362	\$2,669
Harvoni (hepatitis C)	NA	\$18,165	\$16,861	\$22,554	\$32,114
Truvada (HIV/AIDS)	NA	\$559	\$906	\$689	\$1,301
Tecfidera (multiple sclerosis)	NA	\$1,399	\$1,855	\$663	\$5,089
Avastin (cancer)	\$956	\$1,534	\$1,752	\$470	\$3,930
OxyContin (pain)	\$84	\$36	\$95	\$590	\$265

IFHP 2013 Survey	Switzerland	England	Spain	Netherlands	New Zealand	Canada	US
Enbrel (Autoimmune diseases)	\$1,017	\$1,117	\$1,386	\$1,509	\$1,563	\$1,646	\$2,225
Gleevec (cancer and Leukemia)	\$3,633	\$2,697	\$3,348	\$3,321	\$989	\$1,141	\$6,214
Humira (rheumatoid arthritis)	\$881	\$1,102	\$1,498	\$1,498	\$1,481	\$1,950	\$2,246
Copaxone (multiple sclerosis)	\$1,357	\$862	\$1,191	\$1,190	\$898	NA	\$3,903
Gilenya (multiple sclerosis)	\$2,499	\$2,299	\$2,287	\$2,428	NA	\$2,541	\$5,473
Celebrex (pain)	\$138	\$112	\$164	\$112	NA	\$51	\$225
Cymbalta (depression)	\$76	\$46	\$71	\$52	NA	\$110	\$194
Nexium (acid reflux)	\$60	\$42	\$58	\$23	NA	NA	\$215

³⁷IFHP: 2015 Comparative Price Report http://static1.squarespace.com/static/518a3cfee4b0a77d03a62c98/t/578d34649de4bb15e7a9f2e2/1468871781348/2015+Comparative+Price+Report_Final+071516.pdf; and IFHP: 2013 Comparative Price Report: <http://www.ifhp.com/1404121/>

Real World Impacts of High Drug Prices

*We're starting to see the term 'financial toxicity' being used in the literature. Individual patients are going into bankruptcy trying to deal with these (drug) prices.*³⁸

Dr. Leonard Saltz, gastrointestinal oncologist,
Memorial Sloan Kettering Cancer Center

The relentless inflation of drug prices has caused real pain and hardship for Americans in need of medication and their families. The CDC estimates that nearly one in 10 Americans do not take their medication as prescribed in order to save money, while the Commonwealth Fund estimates that as many as 35 million Americans skipped prescriptions due to cost.³⁹ Researchers at the University of North Carolina report more than one-quarter of cancer patients can't afford to pay for their treatment, and nearly one in five can't afford their prescriptions.⁴⁰ Astronomically high drug prices are obviously endangering the health and well-being of millions of patients in the United States. A particularly egregious example of the health consequences of sky-high drug prices is the rationing of the new treatments for hepatitis C for those who are Medicaid beneficiaries or in prison. As these patients wait to get sick enough to qualify for the new drugs, many will develop cirrhosis, liver cancer, or liver failure.⁴¹

Expensive drugs are increasing the financial burdens for Americans who need medicine. According to a Kaiser Family Foundation survey, a quarter of all Americans taking medication report they are struggling to pay for their drugs. For the sickest among us, the burden is heaviest – 43% of those in poor health report difficulty paying for their medication.⁴² Simply having insurance is no longer protection from the financial ruin that high drug prices can inflict, as those costs are increasingly being passed along to patients through insurance companies either limiting drug coverage or raising premiums and deductibles.⁴³ The increasing financial distress, often leading to bankruptcy, not only makes life more difficult for the sick, but leads to worse health outcomes and higher mortality rates.⁴⁴

³⁸ Big Pharma Cashes in on Americans Paying (Higher) Prices for Prescription Drugs, Posted October 15th, 2014; by Michelle Llamas. <https://www.drugwatch.com/2014/10/15/americans-pay-higher-prices-prescription-drugs/>

³⁹ Strategies Used by Adults to Reduce Their Prescription Drug Costs: United States, 2013

NCHS Data Brief No. 184, January 2015 <http://www.cdc.gov/nchs/products/databriefs/db184.htm> ; and

Findings from the Commonwealth Fund Biennial Health Insurance Survey, 2014

http://www.commonwealthfund.org/~media/files/publications/issue-brief/2015/jan/1800_collins_biennial_survey_brief.pdf

⁴⁰ http://www.upi.com/Health_News/2016/06/03/Study-One-quarter-of-cancer-patients-cant-afford-treatment/8381464973916/

⁴¹ Are States Obligated to Provide Expensive Hepatitis C Drugs? February 09, 2016, By Michael Ollove:

<http://www.pewtrusts.org/en/research-and-analysis/blogs/stateline/2016/02/09/are-states-obligated-to-provide-expensive-hepatitis-c-drugs>

⁴² Most Say They Can Afford Their Prescription Drugs, But One in Four Say Paying is Difficult, Including More Than Four in Ten People Who are Sick. Aug 20, 2015: <http://kff.org/health-costs/press-release/most-say-they-can-afford-their-prescription-drugs-but-one-in-four-say-paying-is-difficult-and-more-than-four-in-ten-for-people-who-are-sick/>

⁴³ Why medicine costs so much in America. By Julia Belluz, December 18, 2015;

<http://www.vox.com/2015/12/18/10581682/drug-cost-prices-set-us>

⁴⁴ Financial toxicity in adults with cancer: Adverse outcomes and potential areas of intervention

J Clin Oncol 34, 2016 (suppl; abstr 6624) <http://meetinglibrary.asco.org/content/168278-176>; and

Financial Insolvency as a Risk Factor for Early Mortality Among Patients With Cancer, January 25, 2016, doi: 10.1200/JCO.2015.64.6620. <http://jco.ascopubs.org/content/early/2016/01/21/JCO.2015.64.6620.abstract>

A Better Way Forward – Prop 61

Skyrocketing drug prices and the premium US buyers pay over other nations is a clear indication that the US is not driving a hard enough bargain with the pharmaceutical industry. Medicare is statutorily restricted from negotiating with drug manufacturers in spite of the fact that it is by far the biggest buyer of prescription medications in the US, and one of the biggest in the world. Researchers have concluded that the federal government could save \$21.9 billion to \$22.8 billion annually if Medicare negotiated with drug manufacturers and achieved the same prices as those paid by the Veterans Health Administration, which does negotiate over drug prices.⁴⁵ Other researchers have suggested that Medicare would save \$541 billion over 10 years if prices were negotiated down to the levels paid for prescription drugs by consumers in Denmark (a nation of 5.6 million – Medicare serves 55 million seniors).⁴⁶

Tackling runaway drug prices is a complicated and long-term project, and will ultimately only be solved by transforming our fractured and convoluted system of drug procurement into a single-payer model through expanding Medicare to all Americans. In the near-term, an obvious first step to out-of-control drug prices may be to start using the market power of government programs, particularly Medicare and Medicaid, to hold the pharmaceutical industry accountable. This avenue of reform, however, has largely been cut-off by the outsized political influence of the pharmaceutical industry, which spends billions protecting its interests on Capitol Hill and in the various statehouses. In California, healthcare and consumer advocates are attempting to sidestep the political dysfunction with a ballot initiative called the Drug Price Relief Act, or Proposition 61. It proposes that state agencies be blocked from paying more for prescription drugs than the prices paid by the Veterans Health Administration. This simple initiative, if passed, will undoubtedly have broad implications for drug pricing in California and beyond. In a 2005 study, the Congressional Budget Office calculated that federal programs that negotiate prices—including the VA—paid, on average, half as much for brand-name drugs as retail pharmacies.⁴⁷ If the initiative proves successful in California, the demand for the VA discount rate will likely extend to other state and government programs, and even to private entities – potentially making drugs more affordable nationwide. This relief would be a major step in the right direction, and one desperately needed given the dramatic inflation in the price of medicine.

Note: All URLs were accessed in August and September of 2016

⁴⁵ Gellad, Wallid F. et al "What if the Federal Government Negotiated Pharmaceutical Prices for Seniors? An Estimate of National Savings", Journal of General Internal Medicine, Sept. 2008 23(9)
<http://www.ncbi.nlm.nih.gov/pmc/articles/PMC2517993/>

⁴⁶ Baker, Dean "Reducing Waste with an Efficient Medicare Prescription Drug Benefit" Center for Economic and Policy Research, Issue Brief, January 2013, <http://cepr.net/publications/reports/reducing-waste-with-an-efficient-medicare-prescription-drug-benefit>

⁴⁷ Comparing the Costs of the Veterans' Health Care System With Private-Sector Costs
CBO, DECEMBER 2014 https://www.cbo.gov/sites/default/files/113th-congress-2013-2014/reports/49763-VA_Healthcare_Costs.pdf