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Editorial

High Drug Prices: So Who Is to Blame?

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The noise level in the news regarding drug prices (eg, EpiPen, generics) has been high. So who's to blame? How about everyone! It is easy to point the finger at few greedy people and the pharmaceutical industry, but the whole system is the problem. This includes patients, the insurance industry, employers, legislators, the board of directors of pharmaceutical companies, CEOs of pharmaceutical companies, and the stockholders of any company associated with the production and pricing of the pharmaceuticals. Each of these has contributed to the problem and is negatively affected, directly and indirectly.

The person most impacted by the high cost of some of the pharmaceuticals is the person who pays cash for medications. The next to be impacted is every taxpayer and business. If the cost of a medication goes up, that increase directly influences the cost of health care for individuals covered by Medicaid, Medicare, other federally assisted programs, and federal employees; but the money to pay for those program does not come from a magic money tree or genie, it comes from money raised by taxes paid by individuals and businesses. The next group to be affected is companies that offer their employees a medical benefit that includes drug coverage. The cost of providing these programs goes up when medication costs go up. The company needs to use more of its income to offset the increased cost. It may shift some or all the increased burden to their employees by decreasing the amount of coverage their program provides, increasing the employees' contribution to offset the expense of the program, or increasing deductibles and/or copays. Also affected are patients who need these medications for the prevention or treatment of various medical conditions.

Some of us are insulated from the true cost of our health care and the cost of medications. The majority of the costs for these health care programs has been covered by our employer or federal programs. For decades, the copay for most medications was relatively low compared to their acquisition cost, therefore the majority of the public did not know the true cost of medications. This trend has been changing through the use of tiered copay systems and formulary placements that are based on cost of the pharmaceutical and its perceived value to the care of the patient.

Another group affected by these higher prices is the health insurance companies, self-insured companies, and managed care organizations. Each of these companies and organizations has to cover the increase in cost somehow. Some of the obvious ways to do this are to increase the price of their insurance plans, decrease the level of service offered by their plans, introduce plans with a higher deductible, and increase copays. Actually, the person most affected by these higher prices, no matter the reason, is the patient or their agent who decided not to fill the prescription because of its price. Even more examples could be identified, but I think I have made my point – high drug prices affect everyone in some manner.

So how do we solve this problem? There is no one answer, because the source of the problem does not come from any one area of the industry. New drugs have almost always come with a higher price to help offset the cost of their research and development and all the others that don't make it to market. Federal price controls could be a possible answer, but that is difficult to implement in a country that prides itself on a free market economy. The insurance industry, pharmacy benefit management companies, and managed care organizations have attempted to control or decrease costs by using formularies, contracting, rebates, and other mechanisms. Even these companies and organizations are negatively impacted by the high inflationary cost of some older medications, especially for those drugs where there is minimal competition, and the high price of some of the new drugs that are not intended for small patient populations (eg, hepatitis C).

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I am assuming that the answer will not come from the legislative arena. There will be hearings, speeches, and noise in various media outlets, but in the end there will be no solution. The attention of the news media on the subject waxes and wanes. They pay attention during an election year or when a particular product (eg, EpiPen) or company (eg, Turing Pharmaceuticals) is in the spotlight. But then media coverage fades and the spotlight shifts to a different subject. Maybe at least one of the answers to this problem will come from a nonprofit organization (eg, Institute for Clinical and Economic Review [ICER]), health care plans that implement value-based formularies (eg, Premera Blue Cross), or another country (eg, National Institute for Health and Care Excellence [NICE]), but only time will tell. No matter what, this problem needs to be addressed sooner, rather than later!

SUGGESTED READING

Institute for Clinical and Economic Review. Addressing the myths about ICER and value assessment. www.icer-review.org. 2016. https://icer-review.org/myths/. Accessed September 22, 2016.

The National Institute for Health and Care Excellence (NICE). Improving health and social care through evidence-based guidance. 2016. https://www.nice.org.uk/. Accessed September 22, 2016.

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