

Situation: Prescription drug spending in the US exceeds \$400 billion and accounts for about 10-15% of total healthcare spending (PEW). Spending on anticancer drugs in 2016 topped \$40 billion, more than double the figure for 2011 (ASH). Because the US lacks a central agency responsible for estimating cost-effectiveness and CMS is unable to directly negotiate prices, there is almost no relationship between the value of a drug and its sticker price (Mailankody & Prasad, 2016).

Background: While these figures may seem slight compared to the total cost of healthcare, they are a major source of disparities, even among insured people. Pharmacy benefits are often regulated and administered differently from hospital and medical benefits and in such a way that patients bear more of the cost. Recent studies have shown Medicare recipients and privately insured cancer patients to be more price sensitive to prescription drugs than previously thought. Pill rationing and prescription abandonment (leaving prescriptions unfilled) are common (about 5% overall, and up to 67% for expensive cancer drugs).

Assessment: Several approaches have been tried or proposed to ease the burden of prescription drug prices. These include

- Price ceilings on the most expensive medications
- Value-based or reference pricing
- Direct negotiation between CMS and drug companies
- State-to-state experimentation
- Eliminating or restricting the patent monopoly
- Importing against patented drugs
- “Parity laws” for cancer drugs and other high priced outpatient treatments
- Nationalize Pharma

Each of these and other plans have drawbacks and gaps. For example, reducing prices or restricting the patent monopoly may reduce investment in research. Individual states may lack the power to drive drug prices down on their own, or legislatures may be captive to pharmaceutical interests. Still, some combination of these efforts is needed to reduce the cost of drugs at the point of service and control the inflation of drug prices more generally.

Questions:

1. How do you control prices but avoid unintended consequences like shortages and disinvestment (cf. rent control)?
2. How do we address the misalignment of incentives between profit and social benefit? E.g. Goldman Sachs’ avoidance of companies that research curative treatments; wasted advertising expenses.
3. What are the levers that can be used to control prices? To require drug companies to price appropriately and produce the best treatments, rather than mimics of existing drugs?
4. Could something like comparative effectiveness research help? Would simply creating more information on value control prices?

Priority Reading:

PEW Fact Sheet:

<https://www.pewtrusts.org/en/research-and-analysis/fact-sheets/2018/02/a-look-at-drug-spending-in-the-us>

April 2019 JAMA Editorial: <https://jamanetwork.com/journals/jama/fullarticle/2731151>

JAMA states experiment (skim): <https://jamanetwork.com/journals/jama/fullarticle/2731185>

These NYT editorials discussing various positions in the policy debate (they're short, and not all great, but worth a look)

<https://www.nytimes.com/roomfordebate/2015/09/23/should-the-government-impose-drug-price-controls>

Goldman Sachs being awful:

<https://www.cnbc.com/2018/04/11/goldman-asks-is-curing-patients-a-sustainable-business-model.html>

And the reason why:

<https://de.reuters.com/article/gilead-sciences-stocks/gilead-shares-slump-after-bleak-sales-forecast-for-hep-c-drugs-idUKL4N1FT4GC>

Extremely Optional:

There are three more Viewpoints in the April 2019 JAMA that discuss drug prices if you're interested. They are available online with PSU or OHSU access or as PDFs attached.

Mailankody & Prasad: <https://jamanetwork.com/journals/jamaoncology/fullarticle/2212206>

Also, Bad Pharma is a great book by Ben Goldacre on the topic, if you're interested in some light summer reading.