

# Exuberant RX Costs: Are Drug Companies Taking Advantage of the American People?

Christopher Dodd

Health Policy and Administration, The Pennsylvania State University, World Campus

## Executive Summary

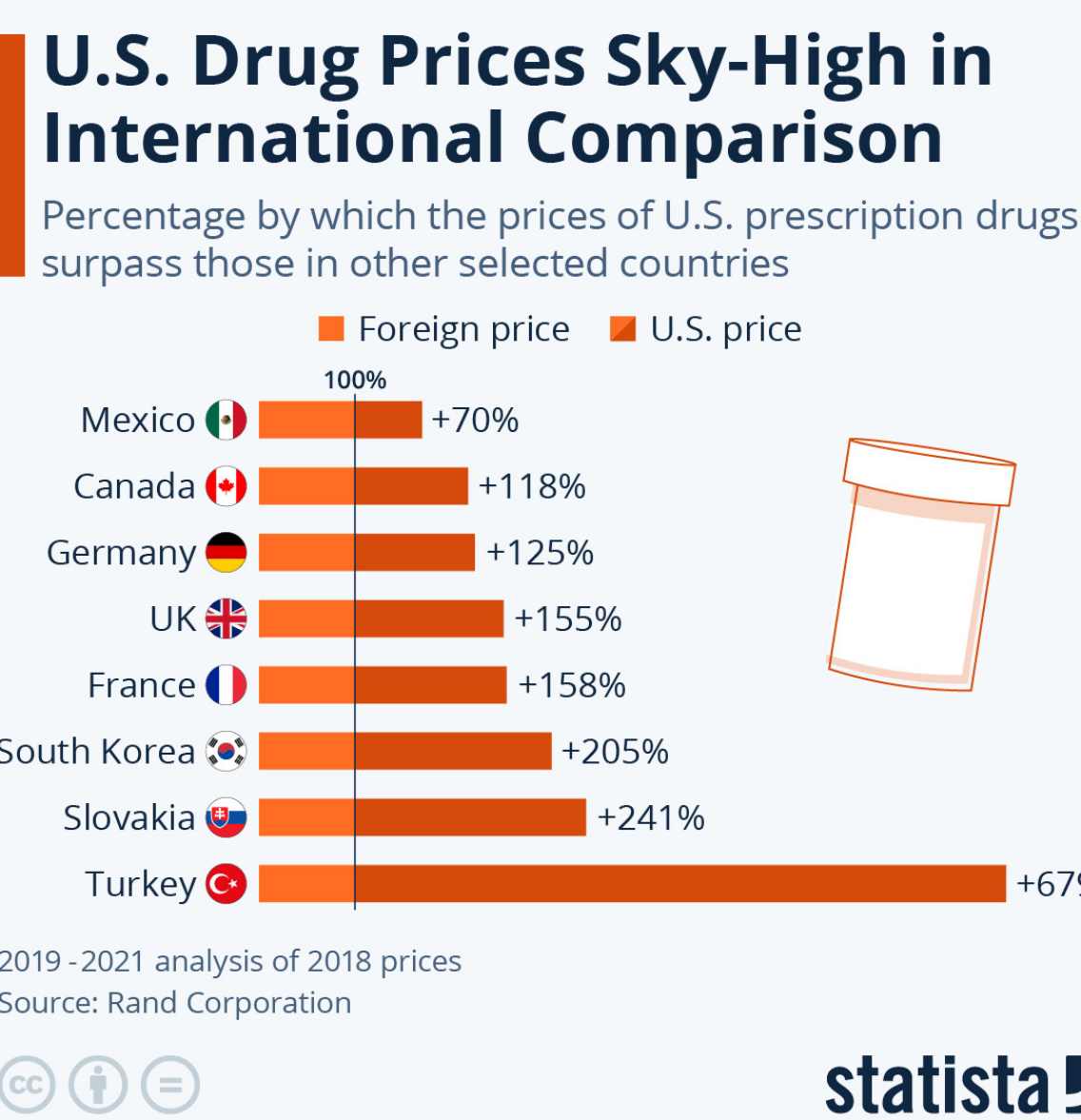
With many Americans struggling to decide between their monthly bills and their prescription medications, the cost of prescription medications continues to rise. With 66% of Americans taking prescription drugs daily, 22% of those go without their medication due to cost (Lewbow, 2022).

Since 2012, the annual average price of specialty drugs risen 300% from \$18,000 to over \$52,000 (Komendant, 2021). The significant rise of drug prices has created life or death decisions for some people. The impoverished community is the most affected by this increase. As a result, those without insurance are paying thousands of dollars out of pocket and this often leads to a great financial struggle. In this policy brief, you will learn how large prescription drug companies are driving a third of the American people into debt.

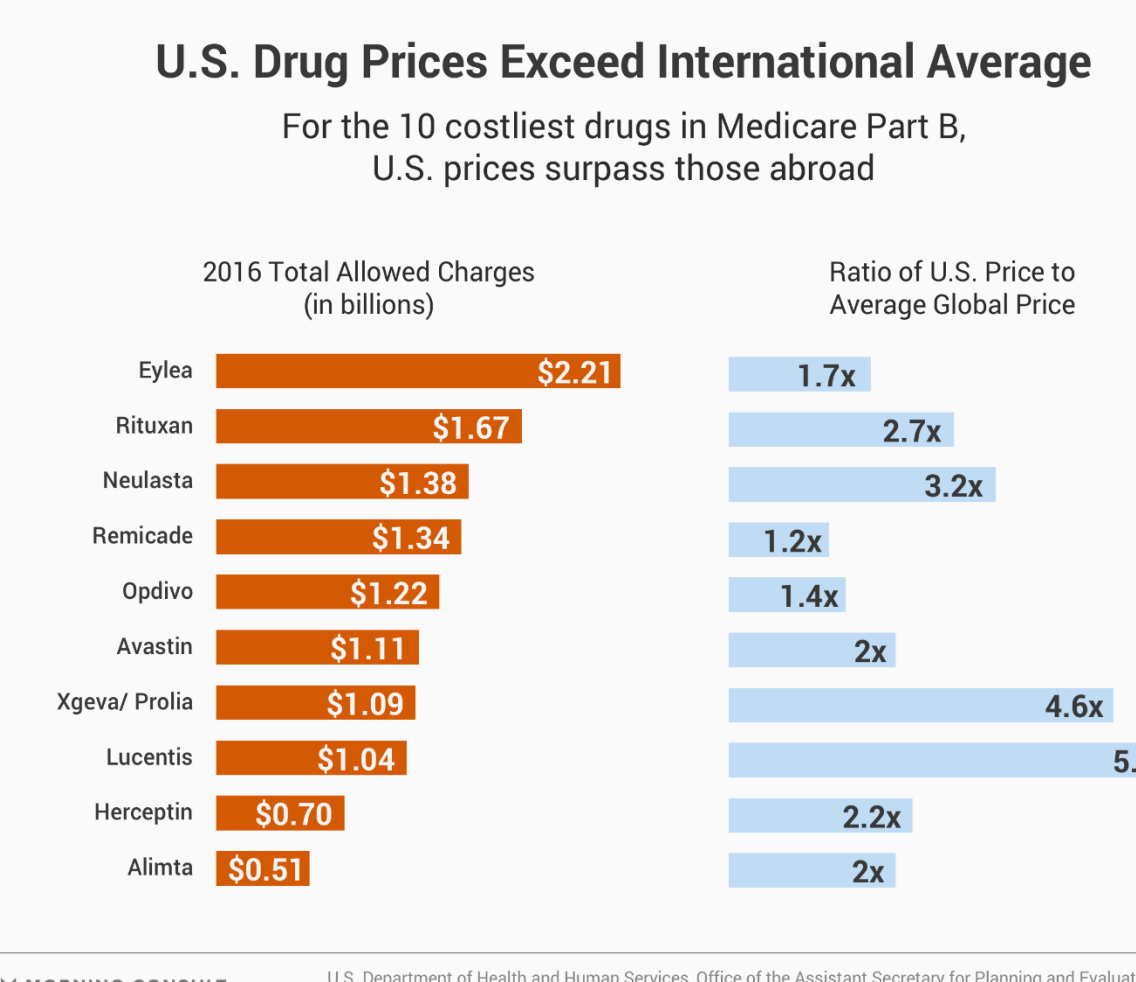
## Scope of the Problem

Drug prices continue to rise, but why? There are many factors that contribute to high prescription drug prices, like inflation or the supply level of the drug itself. Below are examples of companies who profited from sick, vulnerable citizens.

- Taro Pharmaceuticals paid \$213.2 million to resolve price-gouging allegations (The U.S. Department of Justice, 2021).
- Questor acquired the rights to Acthar Gel. They raised the price from \$440 a vial to \$2,700 a vial. This treats a rare form of childhood epilepsy (Peralta, 2019).
- Sandoz Inc. paid \$185 million to resolve price-gouging allegations (The U.S. Department of Justice, 2021).
- Apotex Corp. paid \$49 million to resolve price-gouging allegations (The U.S. Department of Justice, 2021).



(Buchholz & Richter, 2022)



Multiple policies have been enacted to battle prescription drug price gouging. In 2017, the Patient Right to Know Prices Act was enacted, requiring pharmacies and insurance companies to be transparent about specific drug pricing (S.2554 2017). In addition, the Inflation Act of 2022 included an abundance of financial reform policies, specifically Subtitle B-Prescription Drug Pricing reform. This specific policy involved several provisions to help reduce prescription drug costs (Text - H.R.5376 2022).

## Alternate Solution #1

The regulation of prescription drugs has made great impacts in European countries. **Creating regulated prices in America** would help reduce healthcare debt and improve quality of life as follows.

- Creates a trustworthy prescription medication market.
- Increases Cost-effectiveness.
- Creates more transparency for patients and their medication costs.
- Reduces medical debt.
- Increases better health outcomes.



## Alternate Solution #2

Setting a standard for Pharmaceutical drug prices and holding companies accountable for price gouging is the goal of this policy alternative. While this solution is expensive, it will force pharmaceutical companies to maintain a reasonable and affordable price.

- Enforce repercussions for drug price manipulation.
- Incentivising companies to maintain the negotiated price.
- Restricting a company's ability to distribute if they unreasonably increase drug prices.
- Maintain an average price and create reliability for the American people.

### FOUR EXAMPLES: DRUG PRICE HIKES

Company, drug	Price change per pill	Percentage increase
Valeant Cuprimine	\$445-\$26,189 <sup>1</sup>	5,785%
Turing Daraprim	\$13.50-\$750	5,000%
Rodelis Seromycin	\$500-\$10,800 <sup>2</sup>	2,060%
Retrophin Thiola	\$1.50-\$30	2,000%

1 — for 30-day supply; 2 — for 30 capsules

SOURCE: U.S. Senate, Special Committee on Aging, December 2016 report George Petras, USA TODAY



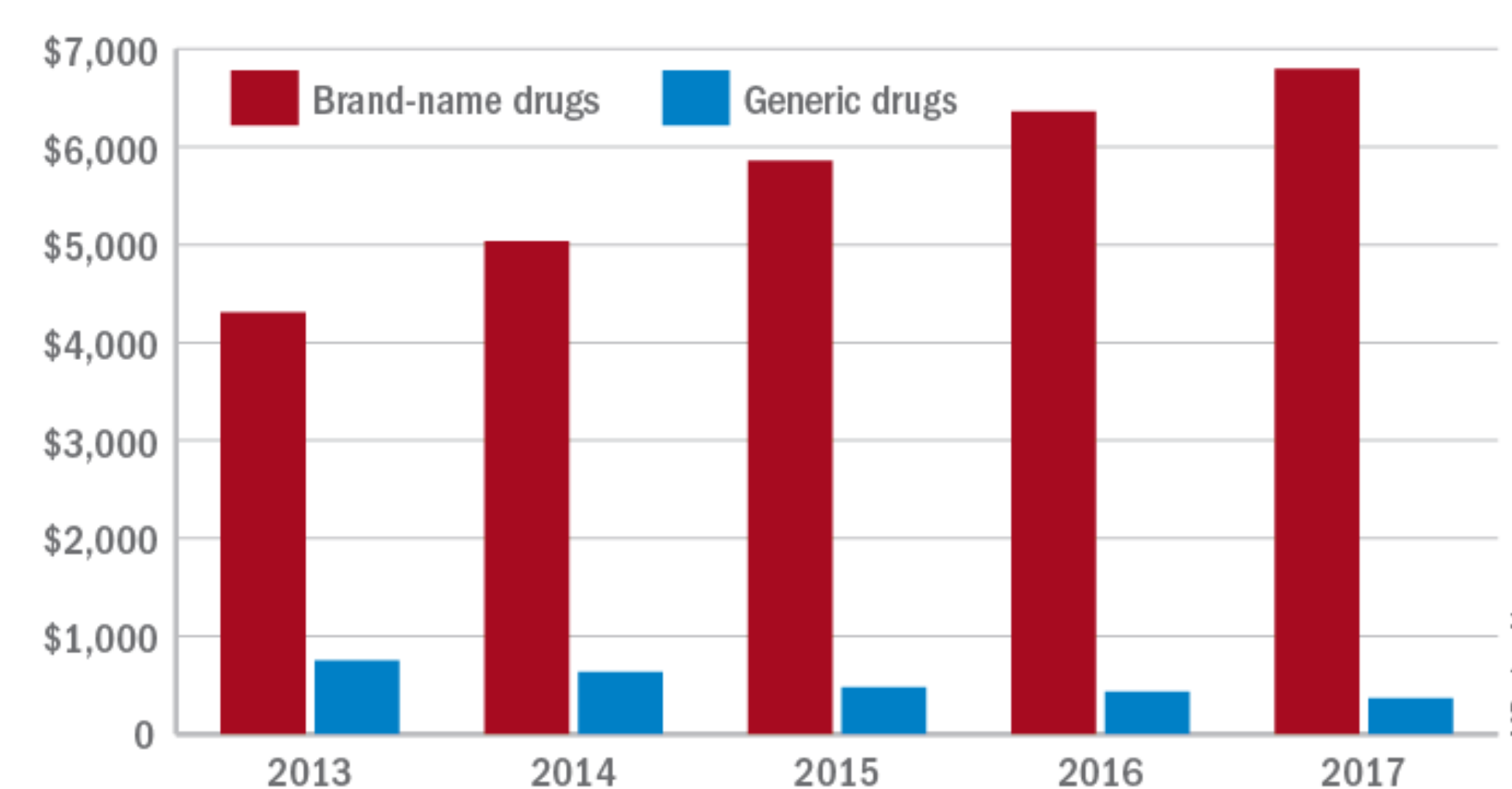
## Alternate Solution #3

With costly Brand-name drugs accounting for 77% of all drug spending, the access to generic, cost-effective drugs is restricted. **Giving Americans more access to generic drugs and creating more competition for name brand drugs** would greatly reduce the average price of prescription drugs.

- Creates cost-effectiveness.
- Creates a competitive market.
- Forces pharmaceutical companies to lower prices to compete.
- Gives the American people more access and selection.



### Average annual cost of therapy: Generics vs. brand-name drugs



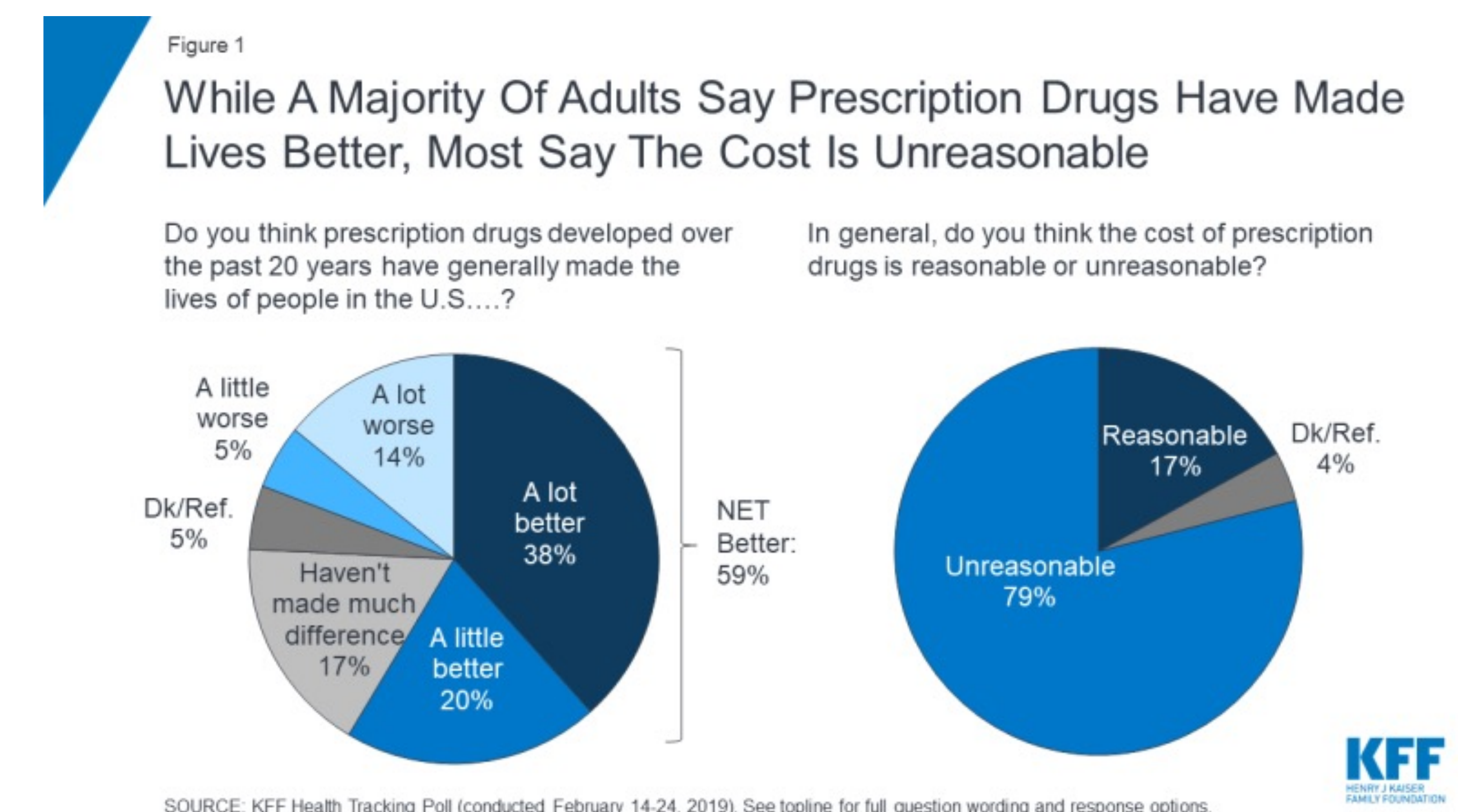
Note: Based on a market basket of 260 drugs widely used by older adults for chronic conditions. Source: AARP Public Policy Institute and the PRIME Institute, University of Minnesota

## Recommendation

The most effective policy alternative is Solution #1. The regulation of prescription drugs is not only cost-effective but also provides a reliable market for the American people. With countries like Germany and Australia showing that the regulation of prescription medication is effective, it is evident that this is a policy that would make a positive impact on the American prescription drug market.

- The drug categories Opioids, CNS depressants, and Stimulants would have price limits. Companies would be mandated to cap prescription drugs at a specific cost.
- Each drug will have its own pricing scale based on the market value and quantity available.
- Incentives for consistent drug pricing and reliability by drug companies.
- Funding more generic drug companies to produce medication that is in higher demand.
- Financial and licensure penalties for companies that price gouge or manipulate prescription drug pricing.

Prescription medication continues to rise, the American people continue to default into healthcare debt. It is evident that change is needed, and the creation of a reliable drug market will release pressure from those suffering from chronic illness. Regulating drug prices is the most optimal solution to improve quality of life for the American people.



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