The High Cost of Prescription Drugs in the United States

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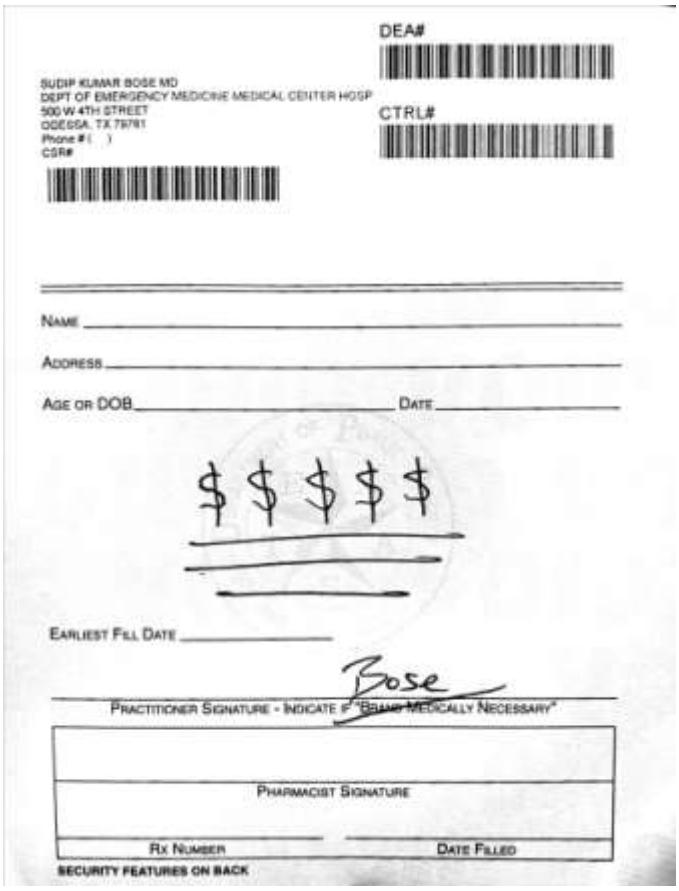

Spending on prescription medications is higher in the US, per capita, than in any other country in the world, according to a recent Journal of the American Medical Association study. And, the report said, those costs are "largely driven by brand-name drug prices that have been increasing in recent years at rates far beyond the consumer price index."

An NBC News report noted that, “Paying for medicine can be the most expensive out-of-pocket health cost for Americans.”

Why?

If you look at the landscape of prescription drugs in America, you’ll notice there is nothing in place to keep drug prices low. There are no specific regulations to keep a ceiling on costs. The pharmaceutical manufacturers have the very tempting opportunity to charge whatever they think a drug’s demand and the market will bear. It’s simply possible for a drug company to charge high prices if they want to, ***just because they can***. There’s nothing regulating whatever cost they want to charge. So the opportunity to charge more exists.

Drug companies will tell you immediately that their costs to research, develop and bring a drug to market are astronomical, and they have to cover those costs and make a profit to continue to stay in business and develop even more innovative prescription medications that will help save more lives. That’s a primary reason pharmaceutical companies will point to as a reason for escalating prices on all the medications they manufacture. And that’s true – to a degree.

But according to a May 2017 AARP cover story in their AARP.org bulletin, “Even after accounting for their research investments, however, drug companies are among the most profitable public businesses in America. And an analysis from the research company Global Data revealed that 9 out of 10 big pharmaceutical companies spend more on marketing than on research.”

Also, the article highlighted in a graphic (scroll to page three on the link) the profit margins of some drug manufacturers compared to other blue-chip companies, including Coca-Cola, GE, GM and Exxon, and found that five out of the six top profiting companies were all pharmaceutical companies.

There’s no denying that it’s important that the evolution and progression of getting more and better drugs to patients to help manage illnesses and save lives must continue. More drugs are being approved now as compared to just five or ten years ago. It’s getting easier to get a drug approved now, although some might argue with that, but there are detours around the regulatory process that drug manufacturers can take, particularly in the trials phase of a drug’s development, that can speed a drug’s journey to getting to market.

It's not just new drugs coming to market where we sometimes see astronomical costs. Even the cost of older drugs – drugs that have been on the market for years, even decades – can rise. You might recall the relatively recent outrage over the price hike for the EpiPen, a four-decade-old product that contains the allergy medication epinephrine, a synthetic version of adrenaline. The patient's out-of-pocket cost for that product soared 535 percent over seven years from 2007 to 2014 according to news accounts. For example, according to a Reuters news report, "Generic drug maker Mylan obtained the rights to sell EpiPen in 2007. Since then, Mylan has increased the list price from $94 to $609, researchers report in JAMA Internal Medicine."

An article in the Lancet, a highly respected publisher of health and medical journals, quoted Jacob Sherkow, an associate professor at New York Law School whose research focuses on how scientific developments affect patent law and litigation as saying that, "People are upset about the idea that a 40-year-old technology using a 100-year-old drug can cost $600."

The escalating cost of health care in general is an issue that Americans, their doctors, insurance companies, prescription drug manufacturers, lawmakers and others are struggling to come to terms with. As an emergency room physician, it's extraordinarily frustrating to see a patient come in, like the father I saw recently, struggling to maintain a reasonable lifestyle while having to sell and downgrade his car, sell his house to take equity out and move into a rental home just to be able to afford his health care, including monthly prescription medication co-pays. It shouldn't have to be this way.

Prescription medications have gotten quite a bit of scrutiny over the past couple of decades. According to an April Johns Hopkins University article, "Prescription drugs are already unaffordable for many: The price tag last year in the United States was $425 billion, one out of every 10 health care dollars spent, and rising. Now, with the future of health care reform up in the air with the potential repeal of the Affordable Care Act, consumers could be looking at a step back—perhaps a giant step back—in terms of drug affordability and access to care."

That makes it inordinately tough for an individual or a family to develop and manage a healthcare budget. Volatile prescription medication costs can be one of the toughest aspects of the healthcare system that families continue to wrestle with. Anyone who has needed life-saving meds has considered costs secondary to the primary goal of remaining alive. And there are many medications that have been and continue to be life saving to the patients taking them; sometimes, though, that presents a real conflict between the harsh reality of actually being able to afford the

meds and staying alive. And when you have medications jumping from $94 to more than $600, it's relatively impossible to stick to a budget.

The EpiPen story is by no means an anomaly. Take, for example, the case of drug-maker Valeant, who in 2015 raised the cost of a single drug, isoproterenol, from $444 per dose – pretty hefty to begin with – to more than $2,700 per dose. Talk about sticker shock. Erin Fox is the director of Drug Information at University of Utah Health where she helps the hospital system manage its drug budget and medication use policies and flagged the issues she had with isoproterenol. She detailed the problems related to skyrocketing medication costs in an April 2017 article for Harvard Business Review (HBR). She also tracks drug shortages for the American Society of Health-System Pharmacists. Her HBR article is worth a read.

She writes about the impact of that price hike to the hospital system's budget: "Our annual inpatient pharmacy cost for a single drug skyrocketed from $300,000 to $1.9 million."

New drugs brought to market can be just as costly. Here are a few examples of those costs (highlighted in the May 2017 cover story in the AARP.org Bulletin):

- The cost of Bavencio, a new cancer drug that was approved in March, is about $156,000 a year per patient.
- A new muscular dystrophy drug came on the market late last year for an eye-popping price of $300,000 annually.
- In 2016, the FDA approved Tecentriq, a new bladder cancer treatment that costs $12,500 a month, or $150,000 a year.

These kinds of stories are rampant. You can find similar stories every year.

The US Department of Health & Human Services' (HHS) Office of the Assistant Secretary for Planning and Evaluation reported their most recent observations on trends in prescription drug spending and they estimate that, "prescription drug spending in the United States was about $457 billion in 2015, or 16.7 percent of overall personal healthcare services. Of that $457 billion, $328 billion (71.9 percent) was for retail drugs and $128 billion (28.1 percent) was for non-retail drugs."

That's a lot of money. Healthcare in general and finances always have been joined at the hip. The latest data that's available (from a 2005 HHS.gov report) tells us, "Roughly

20 million American families, or 43 million people, reported financial problems related to paying medical bills in 2003."

The unbreakable tie between individual finances and healthcare cost isn't new news, and there have been many articles written on the impact of the cost of healthcare to Americans, such as this one from CNBC, which correctly points out that, "Bankruptcies resulting from unpaid medical bills will affect nearly 2 million people this year—making health care the No. 1 cause of such filings, and outpacing bankruptcies due to credit-card bills or unpaid mortgages, according to new data. And even having health insurance doesn't buffer consumers against financial hardship."

Aaron Knoll, who at Rockport Global Advisors LLC serves as a financial advisor to individuals around the country, says that, "Many times it isn't a catastrophic event that concerns clients; it comes one piece at a time. A job change comes with new insurance including higher premiums, deductibles, and copays. Or ***you find out you need a medication that increases your monthly expenses.*** No one likes to think it will happen to them but making the decision to build your safety net and invest wisely can help get a family through a difficult time."

That's sage advice, but sometimes you don't see the train coming until it's too late, and you get flattened. Or sometimes that train is just too big to even deal with.

"People are concerned about drug prices; more are being forced to make trade-offs between paying for their drugs and for food or rent," said Leigh Purvis, director of health services research for the AARP Public Policy Institute, in the AARP cover story. "The trends that we're seeing are simply unsustainable."

How do we reverse those trends? There are some things we can take into our own hands and do right away to help lower drug costs. Some of the items mentioned in the AARP cover story make a lot of sense and can be implemented immediately. They are:

1. Use generic drugs whenever possible. The cost savings can be considerable.
2. Get your prescription meds via mail order – generics or brand name. You can sometimes save around 30 percent if you order 90-day supplies. Make sure you talk to your doctor about that to ensure they write the prescription for that length of time.

3. Check for a preferred pharmacy. Plans and/or employers may offer discounts through a preferred pharmacy.
4. Look for help. Some drug manufacturers offer discount programs if you're unable to pay using traditional means. These programs are sometimes advertised along with the medications the pharmaceutical companies are offering. You might also try http://www.needymeds.org/

I've focused a great deal in this article on the cost of medications that attack, manage and can bring under control symptoms once an illness has been identified. Generally speaking, in America that's the focus of traditional medicine – "a pill for every ill." What does that mean? It means we're often focused with prescription medication on treating symptoms and not causes. We get sick, we go to the doctor's office to get access to medications to get better. Oftentimes, we need to stay on those medications for extended periods of time – for life, in some instances.

We prescribe and take pills to help us lower blood pressure, we prescribe and take pills (or injectables like insulin) to lower blood sugar, we take blood-thinner pills, we take pills for dozens of ailments to manage symptoms and we don't focus so much on treating the cause of those symptoms – we just want those symptoms under control.

Sometimes those symptoms are caused by things out of our control; but many times those symptoms are caused some things that ***are*** within our control: our food consumption, our weight, and our exercise, for example. As I wrote in a previous article, Obesity: Our Nation's No. 1 Health Concern, "Obesity is the key element we need to focus on fixing as a nation to improve our overall health and longevity." Extra weight can cause a whole host of issues that correlate to the top 10 causes of death in the U.S. as listed by the Centers for Disease Control (CDC).

Hippocrates, often referred to as the father of modern medicine, is credited with saying, "Let food by the medicine and let thy medicine be food." Yes, of course, if someone is diagnosed with heart disease, diabetes, atherosclerosis, cancer, pneumonia or other life-threatening illnesses, we certainly need to intervene first with medications to bring things back under control as quickly as possible and get that person stabilized and out of immediate danger. But we can't stop there. If we take back control of our food consumption, add more vegetables and fruit to our daily diets and dial back packaged and processed foods, we will have gone a long way towards reclaiming a long, healthy life and pushing health concerns as we age into the background; we can eliminate or at

least reduce expensive treatments, pills, surgeries and complications. Exercise is the other half of the obesity-prevention equation. One of my mottos is, ***"Keep your inner army strong."*** Diet, exercise and mental clarity and focus all are a part of that.

Changing our food and exercise patterns is a long-term process that some people never accomplish. After all, it's not easy to change the habits of a lifetime when it comes to food consumption. But it should be a focus – at least one aspect of treatment when it comes to dealing with life-threatening illness.

Yes, we should figure out how to get the costs of prescription medications lower on a global scale with the help of the government through legislation as well as with the help of pharmaceutical manufacturers bringing costs more in line with affordability. But we also need to do our part in trying to make sure we don't set ourselves up to need some of those costly medications in the first place. Yes, I know that in some cases that can't be helped. If you get a severe, immediate, life-threatening allergic reaction to something – a bee sting or a specific food, for example – you're going to need that EpiPen injection stat. However, from the proverbial 10,000-foot view, managing our food consumption and ramping up our exercise can go a long way towards keeping us youthful and away from having to use some of those costly medications.