

Drug price control and investing in the future

Individuals appropriately diagnosed and prescribed treatment for a medical condition should not have to go without treatment, split their daily dose pill into halves or take a prescribe daily dose on alternate days because they cannot afford to adhere to the recommended treatment. Yet the price of certain drugs result in such scenarios increasing advocacy for drug price controls.

I applaud such advocacy but strongly caution it be done with transparency and comprehensive knowledge. I have seen remarkable advances in drug and biological treatments over the last several decades, allowing individuals with many diseases to live near normal lives rather than suffer severe disability and premature death. The list is massive including cancers and infectious, neurological, immunological, metabolic, muscular-skeletal and other conditions.

There are “value” and “non-value added” factors that contribute to the price of a drug. Non-competitive gouging, excess profits, price negotiations by non-value added managers and merchants taking obscene “cuts”, lack of production cost transparency and honesty result in vast differences in the price of a drug at the consumer level. All these areas are ripe for cost control exploration.

However, knee jerk price restrictions and various direct “negotiation” requirements at the government/insurance company – production level must be pursued cautiously. Certain groups of beneficiaries getting a great price while others get gouged to make up the difference is not a prudent solution. If negotiations at this level can bring down the price for all consumers – foreign and domestic – it’s a good solution *as long as it does not result in significant reduction in the medical advances described above.*

Many critics contend the high prices are primarily the result of hyped R&D recovery costs, excessive profits and lack of competition on the part of pharmaceutical manufacturers. Various “deals” to extend patent exclusivity is also said to contribute. In some situation there is merit in such claims but it can only be determine through transparent analysis.

Many believe the government pays for most R&D costs and the private sector drug companies simply manufacture the approved medication as if they had discovered it. That is largely untrue. While the government supports about 50% of the Nation’s basic science research, between 70% - 90% of applied (translational) research, including clinical trials, is financed by the private sector. To continue to discover new cures that cost legitimately needs to be recovered.

Setting aside international trade and intellectual property agreements, foreign companies often can manufacture a US developed drug for a cost that is devoid of any R&D recapture costs and/or demand the US company sell it to the foreign company for that price. The result is the US company must charge US customers extra to cover the R&D not being paid by foreign consumers.

Measures to allow US consumers to purchase drugs from foreign suppliers could not only result in increased administrative cost and inconvenience for US consumers but lead to a situation where nobody pays the R&D costs. The drug company can then increase the price for everyone (potentially losing foreign sales), cut profits or scale back its R&D efforts slowing the waiting time and number of new cures for foreign and domestic consumers. Solution requires, through international agreements or other means, for all consumers to share in legitimate R&D cost recovery.

In the December 17, 2019 issue of the *American Council on Science and Health*, Alex Berezow and Josh Bloom discussed one of the great hidden cost of high drug prices. They note: “American science and industry are under threat by this complex, known to be an unholy alliance of activists and trial lawyers who deploy various pseudoscientific tricks to score multibillion-dollar lawsuits against large companies. No industry is safe from these deceptions.”

They describe several examples but all one needs to do is watch TV any evening where every 2-3 ads out of ten are law firms trolling for patients or families of patients who suffered a possible side effect from medical advances that have helped so many. Pharmaceutical company litigation costs are massive and unpredictable resulting in higher consumer drug prices to indemnify their businesses. It seems we have few solutions for this egregious abuse.

The end result is a dilemma whereby most Americans want to continue to enjoy the rewards of new medical discovery but also wants some relief in the cost of enjoying it. To assure future health gains, solutions must extend far beyond negotiating price.

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