

PHARMACEUTICAL PRICE GOUGING

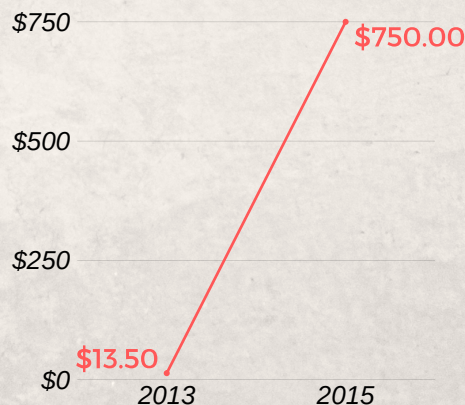
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WHAT'S THE BIG DEAL?

- ❑ The public's ability to receive life-saving treatment is severely limited because of the United States' (U.S.) pharmaceutical industry's unsustainable and unethical engagement in price gouging.⁵
- ❑ Price gouging occurs from a lack of competition in the industry. Firms acquire and market these drugs which essentially gives the largest firms monopolies on whichever drugs they market best.³
- ❑ Price gouging is especially an issue with "orphan drugs". This increases the financial burden on vulnerable segments of the U.S. population.³
- ❑ From 2010 to 2015, over 300 off-patent drugs sold in the U.S. experienced increases of at least 100%.⁴ These price increases have received extensive attention in recent years.⁷

Turing Pharmaceuticals increased the price of Daraprim (a drug used to treat toxoplasmosis) by **5500%**⁴



IMPORTANT TERMS:

PRICE GOUGING

The practice of acquiring an older off-patent prescription drug and dramatically increasing its price.⁹

OFF-PATENT/GENERIC DRUGS

Drugs that are intended to be interchangeable with an innovator product that is manufactured without a license and marketed after the expiry date of the patent.¹⁰

DRUG PATENTS

Typically last 20 years. When they expire, the drug may be approved as a generic drug.⁸

ORPHAN DRUGS

Drugs that are life-saving or life-sustaining for treating a relatively small number of people in the U.S.⁶

MYTHS AND MISCONCEPTIONS

The price of drugs reflect the cost of research and development (R&D).²

The pharmaceutical industry can choose its transparency. It is likely that pharmaceutical companies choose to mislead the public by claiming that drug development is the most costly aspect when marketing is the main reason for high costs.² Their annual reports show that they spend more on marketing and administration than on R&D.¹

Generic versions of brand-name drugs are not as safe nor as effective.⁸

In order for the FDA to approve a proposed generic medication, it must contain the same active ingredient, have the same strength, use the same dosage form, and use the same route of administration. The quality, strength, purity, and stability are the same between the brand-name drugs and their generic version.¹¹ Only 43% of the science background population believe these drugs follow the same FDA guidelines.⁸



EXAMPLES OF SOLUTIONS

Several European countries have taken action to implement policies and regulations to balance the encouragement of pharmaceutical R&D and discouragement of excessive drug prices. France, Germany, Sweden, and the United Kingdom (U.K.) have incentives for the government to **restrain spending growth** because the burden of paying for drugs is on the universal insurance system rather than the individual. Until the late 1980s, their efforts to restrain drug prices were focused on **controlling the prices charged by drug manufacturers to drug wholesalers or by pharmacists to consumers**. The regulations now embody either product-by-product price controls, limit on insurers' reimbursement levels, or profit controls. ⁴

1 SET PRODUCT-BY-PRODUCT PRICES USED IN FRANCE AND (BEFORE 1993) SWEDEN

The criteria for setting product-by-product prices include the therapeutic value of the drug, the price of comparable treatments, the contribution of the drug's sales to the national economy, and prior government approval for any price increases. ⁴

2 LIMIT INSURERS' REIMBURSEMENT LEVELS USED IN GERMANY AND SWEDEN

The limits on insurers' reimbursement levels are set by an upper limit on the amount the insurer can pay for groups of identical drugs. The consumer must pay the difference between the price set by the drug manufacturers and the upper limit on insurers, limiting the manufacturers' ability to charge high prices because of the consumers' lack of willingness to pay the out-of-pocket costs. ⁴

IN THE UNITED KINGDOM...

Manufacturers may set its drug price at any level as long as company profits do not exceed the profit ceiling negotiated between the National Health Service (NHS) and drug manufacturers. In addition, the manufacturers may not increase drug prices without the government's approval. ⁴

Pharmaceutical prices are greater in the U.S. than abroad. ⁵

WHAT'S BEING DONE IN THE UNITED STATES?

A growing number of U.S. officials are finding ways to improve competition in the generic drug market and arguing that the government should be allowed to block unjustified price increases on these drugs. Private health insurers have also joined the debate to support regulation. ¹²

There are several potential policy solutions such as facilitating entry into the generic market, encouraging price competition, and promoting pharmacists' dispensing and doctors' prescribing of generic drugs. ¹²

COUNTERARGUMENTS

Legally, pharmaceutical companies are within their rights to price gouge. The U.S., unlike every other advanced country, allows these companies to choose the amount they charge consumers since they are considered investor-owned businesses. ¹

Unfortunately, proposals for the federal government to negotiate the prices of these drugs have been blocked by the Senate because it is widely believed that government regulation of prices would stifle innovation. The two largest and most influential lobbying organizations in the U.S., the American Medical Association and the Pharmaceutical Research and Manufacturers of America, continue to oppose government intervention in the generic market which has a large effect on blocking regulation. ¹²



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