



November 16, 2009 - Topic: Prescription Drugs

Drug Industry Raising Rx Drug Costs as Health Care Reform Gets Closer

The drug industry has increased the wholesale cost of brand-name prescriptions by an average of 9% this year -- a move that could cancel out savings resulting from the deal it struck with the White House and Senate Finance Committee to pay for health care reform, the *New York Times* reports.

Although drugmakers say that they have valid reasons to raise prices, some critics say that the industry is attempting to establish a higher price base before Congress passes legislation that aims to reduce drug spending.

The average annual cost for a brand-name prescription drug taken daily has increased this year by \$200 to more than \$2,000 annually, according to Stephen Schondelmeyer, a professor of pharmaceutical economics at the University of Minnesota who analyzed drug prices for AARP. The 9.3% increase in prices for brand-name drugs used by the Medicare population is the fastest growth since 1992, he reported.

Schondelmeyer's findings are similar to separate research from Wall Street analyst Catherine Arnold at Credit Suisse, who studied wholesale prices for the best-selling drugs at the country's eight largest pharmaceutical companies. She found an 8.7% increase in drug prices this year.

The higher prices will add about \$10 billion to the total sum the country spends on drugs this year, bringing the figure to more than \$300 billion. The increasing prices are a contrast to the Consumer Price Index, which has fallen by about 1.3% in the last year.

Drugmakers say they are forced to raise prices so they can maintain profits and reinvest in research and development as patents on their most popular prescription drugs are set to expire in coming years.

Merck spokesperson Ron Rogers denied that price adjustments had any connection with health reform efforts.

Ken Johnson, a senior vice president for the trade group Pharmaceutical Research and Manufacturers of America, criticized the AARP analysis. "In AARP's skewed view of the world, medicines are always looked at as a cost and never seen as a savings -- even though medicines often reduce unnecessary hospitalization, help avoid costly medical procedures, and increase productivity through better prevention and management of chronic diseases," he said.

Earlier this year, the drug industry reached a deal with the White House and the Senate Finance Committee to cut \$80 billion over 10 years from the country's drug costs by providing rebates to the government and the elderly. The agreement likely will be codified in the Senate's final health reform legislation.

The *Times* reports that this year's price increase would cancel out savings from at least the first year of that deal -- and possibly beyond.

"It makes it much easier for drug companies to pony up \$80 billion because they'll be making more money," Steven Findlay, a senior health care analyst at Consumers Union, said (Wilson, *New York Times*, 11/16).

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