



Kelli Edwards  · Jun 12, 2019 · 4 min read

# America's Drug Industry

## Can America's drug industry lower its prices?



Pharmaceutical companies go up against congressional efforts to close the donut hole.

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As an Aging Life Care Professional®, your clients have likely experienced increasing out-of-pocket drug expenses due to soaring medication costs. AARP Bulletin Jan/Feb 2019, stated people relying on Medicare Part D prescription drug coverage consume an average of 4.5 prescriptions per month. The average cost of prescription drugs across the U.S. is approximately \$1200 per person per year, according to Bloomberg, higher than any other country in the world. The Bloomberg article is quick to point out that it is not the average drug cost per person that sets Americans apart, but high drug prices. We've attempted to identify the problems, challenges and possible solutions to this pressing dilemma.

## **The Problems:**

American pharmaceuticals can determine a drug price based on what the market will bear. When prescription drugs were first included with Medicare in 2003, the pharmaceutical industry effectively lobbied to disallow the federal government's purchasing power to negotiate drug costs. Today, third-party pharmacy benefit managers (PBM) conduct negotiations, essentially creating private transactions with pharmaceutical companies, leading to a limitation of drug choices along with rising costs to consumers. On February 26, 2019, Washington Post reported the Senate Finance Committee, chaired by Senator Grassley (R-Iowa) assembled a panel of seven drug executives to a congressional hearing on drug costs. The panel along with their respective manufactured drugs included Pfizer (Lyrica), AbbVie (Humira), AstraZeneca (Crestor), Merck (Keytruda), Sanofi (Lantus), Bristol-Myers Squibb (acquisition of Celgene and cancer drugs including Revlimid), and Jansen Pharmaceuticals, owned by Johnson/Johnson (Xarelto).

Catastrophic protection is triggered once the Medicare Part D beneficiary has spent about \$5100. Following that, they would be responsible for only 5% of medication costs. The problem is that catastrophic coverage does not include any dollar limit on what a beneficiary must pay according to the Associated Press. For example, 5% of an exorbitant drug costing \$200K per year, leaves the consumer to be responsible for \$10,000. The Kaiser Family Foundation estimated that in 2015, 9% of Medicare D recipients which translates to 3.6 million older adults, experienced catastrophic costs.

## **The Challenges:**

AARP (2019) reported that while lawmakers developed a provision within the Bipartisan Budget Act of 2018 to close the coverage gap on Medicare Part D plans, the pharmaceutical industry began lobbying Congress for a technical fix. This deal has the potential to expand pharmaceutical profits at the consumer's expense.

Legislation by Senator Wyden (D-Oregon) has introduced a cap on out-of-pocket expenses of \$2650 for Medicare beneficiaries taking brand-name drugs. Several other legislative proposals have addressed drug pricing. Secretary of Health and Human Services (HHS), Alex Azar, has made this the focus of his leadership. Pharmaceutical companies argue that they need strong profits to subsidize development of medical advances and that constricting costs could damage innovation.

## **Potential Solutions:**

The Trump administration proposed ending an intricate system of drug-maker rebates to middlemen, a path that many find fault with as cause for high drug prices. Senator Braun (R-Ind) introduced such a bill in early March 2019, the Drug Price Transparency Act, to end negotiations between drug-makers and PBMs within the private sector. Several of the companies represented at the Senate Finance Committee hearing indicated their willingness to work with Congress, reform the rebate system and reduce list prices of drugs.

Nancy LeMond, AARP executive vice president and chief advocacy and engagement officer, believes "big drug companies want to boost their profits by raising Medicare drug costs." AARP supports a cap on out-of-pocket expenses and encourages bipartisan action.

The Health Affairs Blog predicts Centers for Medicare and Medicaid Services and Health and Human Services will permit individual states more flexibility to adopt innovative pricing and payment models on prescription drugs. To date, 14 states have made efforts to limit out-of-pocket costs to consumers. New York, Vermont, Maine, Delaware, Maryland, Louisiana, and Montana have already enacted "caps in copays and coinsurances of specialty tier drugs ranging from \$100 to \$150 per 30-day supply," according to Xcenda, publisher of Health Policy Weekly. Other states have introduced similar policies including California, Hawaii, Illinois, Kentucky, Mississippi and Virginia, while Massachusetts is proposing the same.

## Biography:



Ellen Buckley, MS, CMC is a certified, Advanced Aging Life Care Professional and a Registered Professional Guardian, practicing in Tampa, FL, with Care Management Service Professionals, LLC. She transitioned into this profession in 2008 after completing a Certificate program in Geriatric Care Management from University of Florida and later earned a MS in Medical Sciences with an emphasis in Gerontology from the University of Florida in 2018. Ellen currently serves on ALCA's Public Policy Committee. Within the Florida Chapter, Ellen is chair of the Professional Development Committee and is initiating a task force committee to explore licensure options for Aging Life Care members in Florida. Ellen is also a member of the Florida Council on Aging (FCOA) and Florida State Guardianship Association (FSGA).

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