



Causes and Solutions to Rising Prescription Drug Costs in the United States

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INTRODUCTION

Prices of some pharmaceutical drugs in America have become unaffordable for many Americans. Up to 19% of Americans have said in a statistical report released by AARP (Love, 2017)⁷ that they have skipped taking a drug or only taken half, in order to reduce the cost. Is it possible to make the inflating prices of prescription drugs more affordable to the average consumer, while also resolving the issue in a way that is fair to pharmaceutical companies? And why are the prices inflating in the first place?

To answer these questions, I looked at the current system of producing pharmaceutical drugs in the United States in an attempt to find other solutions.

STEPS TO GATHERING INFORMATION

Inquiry Approaches:

- Descriptive and content analysis

Data collection tools:

- Documents and texts
- Analyzed through summarization and correlation

I expected to collect a mixture of quantitative and qualitative data. I also collected empirical data, such as statistics, on different occurrences in the healthcare system (such as the number of people to who can afford a certain drug, the number of years it takes for a certain pharmaceutical company to produce/develop a drug) and then linked those quantitative data with qualitative analysis.

STAGES OF CLINICAL TRIALS

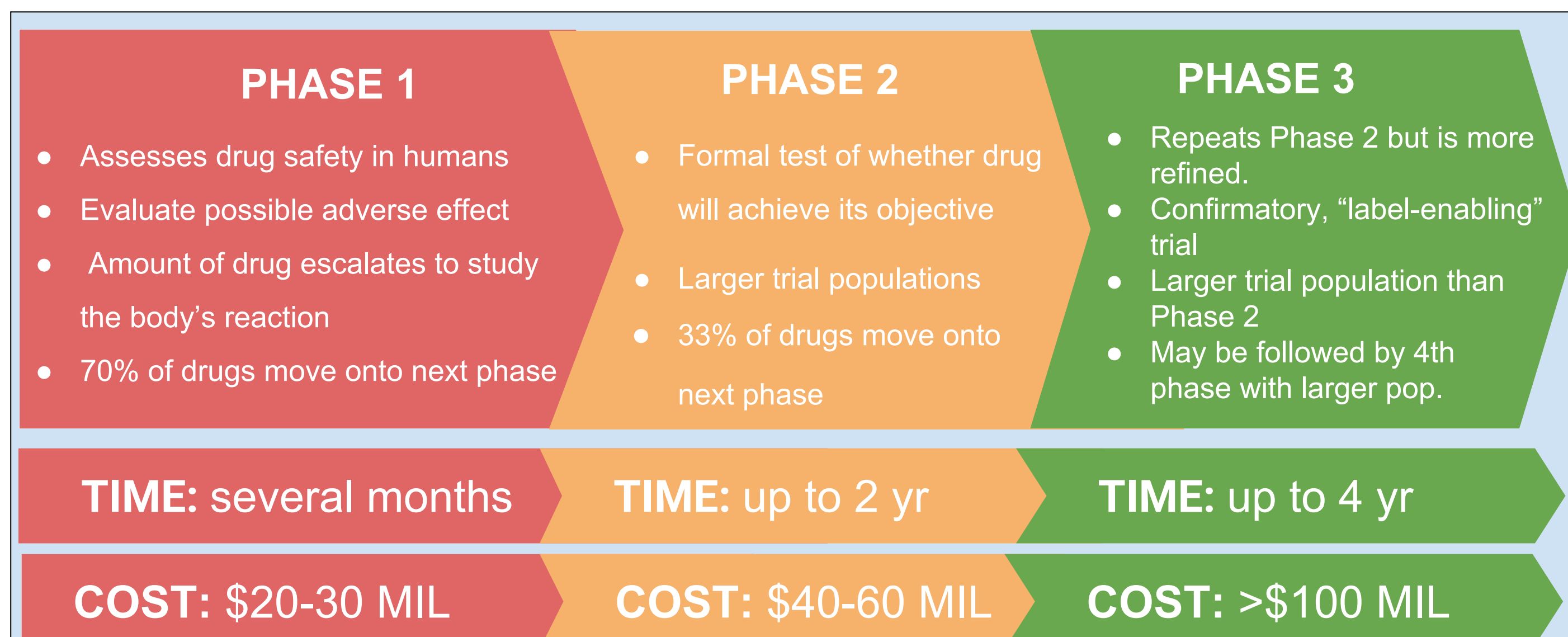


Figure 1: The diagram above shows the phases of 3 clinical trials. The system represented is one that is frequently used by pharmaceutical companies when testing their drugs⁹.

Clinical trials can typically last 8 to 15 years⁹, with total costs sometimes reaching over 500 million dollars per drug. After Phase 3, a "New Drug Application" is submitted to the FDA, which issues the drug a label and allows it to enter the market if it is approved.

FACTORS BEHIND DRUG PRICING

1. Reasons for Inflating Drug Prices:

- Fewer new generics
 - Generics : an alternative form of brand-patented drug (same results, just without branding), which tend to lower prices of drugs due to increased competition¹
- Development and production costs (which can reach over \$500 million per drug)
- No price controls, as the companies set their own prices (instead of the government, as seen in other countries)⁵
- Long-lasting patents result in more time before other companies can produce the same drug and drive prices down
- Limited competition
- Small markets for drugs produced for rarer conditions



Figure 2: The graph above shows the inflating prices of brand name drugs over the course of ten years, as compared to inflation. The percent change of the drug pricing is consistently greater than inflation.

ANALYSIS OF INFORMATION

There are many reasons for high drug pricing, including the cost of research and the available competition within a market. Based upon all the factors leading into pricing, there are several possible resolutions. For example, the procedure for clinical trials could be shortened so that a drug gets onto the market faster. As a result, the company has more time to profit from the drug during its patent, and it doesn't have to raise the price in order to profit from a short amount of time after a long drug approval/production process. In another case, the length of patents could be extended. This idea is more flawed, however, as long-lasting patents result in longer times before competing generics can produce the drug and drive prices down.

CONCLUSIONS, IMPLICATIONS, AND NEXT STEPS

What can be done for now? What is being done?

We can allow Medicare to negotiate for lower prices, which it is currently prohibited from doing by U.S. law⁶. Medicare should also be allowed to refuse to pay for medication with cheaper equivalents, or for drugs that don't work effectively (which raises the bar for medication higher, similar to the process in the U.K.). We can also eliminate "pay for delay," which is a process where drug companies pay generic companies to delay putting a competitor drug on the market. This will speed up the introduction of generics into the market and raise competition, which then lowers prices.

How does the United States compare to other countries?

If we look at other industries, such as in the United Kingdom (U.K.), their processes differ from the U.S.' For example, in the U.K., the healthcare system is funded by the government. As a result, they have one of the strictest systems, and they refuse to pay for medications that do not meet a certain threshold of cost-effectiveness⁵. In comparison, American companies set their own prices, and it is illegal for government programs to negotiate with drug companies over prices⁶. However, due to the high bar set in the U.K., there are drugs available in the United States that aren't available in the U.K.

Final Thoughts:

This topic is definitely a gray area, as there are many different factors in the cost of prescription drugs. While they may not be affordable to the average consumer, the high prices of drugs are often essential for companies to pay for their research. However, there are solutions that could allow companies to profit while also maintaining quality research.

ACKNOWLEDGEMENTS / REFERENCES

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