Media buzz is afoot surrounding the announcement pharmaceutical companies will be raising U.S. drug prices despite the backdrop of President Trump’s call for lowering them. But, is it all hype? I had the opportunity to discuss this in a segment with Newsmax TV (link to follow).

The reality

The pharmaceutical industry does not make a move without knowing what is coming down the pike or without global projections years into the future. In a traditionally opaque industry, they have access to all of the information we don’t to put such moves into context. This latest maneuver is standard fare. Last year at this time, I spoke on Reuters TV in a news blast on drug pricing because they vowed to maintain a self-imposed less than 10% increase cap (see here). As I conveyed then, this is more of a PR stunt than a tangible win for patients. In the end, through co-pays, deductibles and taxes the actual burdens typically fall on us.
Consider the Trump Administration’s call for reducing prices amid this Pharma report as an early negotiation. The publicity is more smoke and mirrors. Pharma takes the heat at the start of the year, then as new legislation and discussions intensify and prices do go down they have given themselves a cushion. Remember, for example, they know exactly when their biggest sellers’ patents expire and adjust accordingly.
It's like a game of whack-a-mole

Reducing prescription drug prices is like a game of whack-a-mole, you stamp out one factor and unintended, relentless other consequences follow suit to maintain equilibrium. Due to the sheer complexity of the pharmaceutical ecosystem and its many cogs in the wheel, one concession merely shifts changes as each component adapts to enhance its own margins.

To understand the complicated nature of the many profit centers that influence drug pricing, review my ACSH colleague Dr. Chuck Dinerstein’s two-part series on The Spread- Exploring The Reason for The High Cost of Pharmaceuticals here [5] and here [6]. First, he details the many segments of the supply chain and their tethered relationship. Then, he explores the integration and consolidation of the industry as a result of the high cost of research and development for branded manufacturers, compounded by the expensive and lengthy wait times for approval set forth by the U.S. Food and Drug Administration (FDA).

To get a more comprehensive picture, review these articles:

- Hospital Systems Getting Into The Big Pharma Game [3]
- Is It Checkmate For Pharma’s Epic Gaming Of Patents? [7]
- Pharma And Hospital Systems Now Playing The Drug-Pricing Blame Game [8]
- Are Cancer Drugs Cheaper To Make Than Previously Thought? New Study Claims So. [9]

Take Home Message

The pharmaceutical industry routinely gets demonized as the only villain in terms of drug pricing. The reality is this polarized good or pure versus evil is not effective and certainly does not paint an accurate or complete picture. Due to the innovative work of many in the field and the existence of the industry, our society has benefited from tremendous strides in the development of treatments for life-threatening conditions like Hepatitis C to immunotherapy for cancer. The truth is there are many sectors that influence pricing (e.g., hospitals, wholesalers, retail pharmacies, payers/insurers, pharmacy benefit managers). There have certainly been bad actors in each arena that haven’t helped things and patent gaming has reached epic levels (e.g., Allergan and Restasis, see here [7]).

But, having knee-jerk disdain for Pharma does not solve all of the many hands in the cookie jar working to increase their own spread while simultaneously serving actually to increase the tangible costs to the patient.