Care And Cost
Health Care Essays by Brian Klepper

How To Control American Drug Costs

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Q: Many newer (as well as many older) drugs are of great value in treating many diseases. But the prices charged seem very high and rising, causing serious concern for many. Is there anything the United States can do to control these costs?

A: We can do a lot to control drug costs, but success will take the cooperation of Congress and the legislatures, which are fundamentally in the drug industry's pocket.

The industry lavishes money on Congress to buy that favor. Open Secrets data show that the pharmaceutical/health products sector, the most politically influential industry, gave Congress $3.3 billion in campaign contributions between 1997-2015. That largess averages out to $183 million annually over that 18-year period, or a stunning $343,000 per legislator per year. Within these dynamics, every relevant law and rule is spun to favor the interests of the drug industry over those of the American people.

In an excellent recent JAMA article on the sources of US drug pricing, Kesselheim et al. point out that influence over policy has translated into two core problems: "granting government-protected monopolies to drug manufacturers, combined with coverage requirements imposed on government-funded drug benefits."

Consider Congress' prohibition against Medicare negotiating drug prices. Millions of patients' medications are subsidized by Medicare, which pays whatever price is demanded. It's hard to imagine a better deal than the purchaser allowing the manufacturer to set any price, with the guarantee that the bill will be paid.

These dynamics translate to harsh realities. Federal programs are required to cover most products – including those with sub-optimal performance – priced at whatever the market will bear. To a large degree, the commercial health plan sector follows suit. No rational market rules guide the way we currently buy drugs. We don't require pricing to be tethered to what's paid in other industrialized, international markets, or tied to the value delivered in care avoided or Quality-Adjusted Life Years gained.

For perspective, consider a 2015 JAMA Int Med study showing that between 2008-2012, 86 percent of the drugs approved with surrogate endpoints and 57 percent of cancer drugs approved by the FDA "have unknown effects on overall survival or fail to show gains in survival." In other words, the authors write, "most cancer drug approvals have not been shown to, or do not, improve clinically relevant end points." Realizations like this make clear the need to identify the measurable improvements that existing or new drugs represent. That would provide a rational way to value and price a drug.

Recently efforts have been afoot to tie pricing or purchasing decisions to known value. For example:

- The American Society of Clinical Oncology recently unveiled its drug value framework, which evaluates new cancer therapies based on clinical benefit, side effects, and improvements in patient symptoms or quality of life in the context of cost.
- The Center for Health Policy and Outcomes at Memorial Sloan Kettering Cancer Center is also focused on the price and value of drugs, under the belief that more rational pricing could increase patient access to important medications while driving innovation.
- The Institute for Clinical and Economic Review (ICER) independently assesses the value of new drugs, guided by four questions:
  1. How well does the drug work?
  2. How much better is it than what we already have?
  3. How much could it save us?
  4. How much would it cost to treat everyone who needs it?

In other words, methodologies to achieve value-based drug pricing are well within reach, but the industry will resist with all its power and influence. Secretary Clinton is focused on this area, and believes that leadership can mobilize the agents of reform to make meaningful change achievable. That is what it will take.

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Brian Klepper is a health care analyst, commentator and a Principal in Health Value Direct.
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