

Soaring generic drug prices draw Senate scrutiny

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This June 14, 2011 file photo shows various prescription drugs on the automated pharmacy assembly line at Medco Health Solutions, in Willingboro, N.J. Some low-cost generic drugs that have helped restrain health care costs for decades are seeing unexpected price spikes of up to 8,000 percent, prompting a backlash from patients, pharmacists and now Washington lawmakers. (AP Photo/Matt Rourke, File)

Some low-cost generic drugs that have helped restrain health care costs for decades are seeing unexpected price spikes of up to 8,000 percent, prompting a backlash from patients, pharmacists and now Washington lawmakers.

A Senate panel met Thursday to scrutinize the recent, unexpected trend among generic medicines, which usually cost 30 to 80 percent less than their branded counterparts.

Experts said there are multiple, often unrelated, forces behind the price hikes, including drug ingredient shortages, industry consolidation and production slowdowns due to manufacturing problems. But the lawmakers convening Thursday's hearing said the federal government needs to play a bigger role in restraining prices.

"If generic drug prices continue to rise then we are going to have people all over this country who are sick and need medicine and who simply will not be able to buy the medicine they need," Vermont Sen. Bernie Sanders, who chairs the Senate Subcommittee on Primary Health and Aging. Sanders is a political independent who usually votes with the liberal wing of the Democratic party.

Sanders introduced a bill that would require generic drugmakers to pay rebates to the federal Medicare and Medicaid programs when prices of their medications outpace inflation. Those payments are already mandatory for branded drugs, but have never applied to generics.

Last month, Sanders and House Rep. Rep. Elijah Cummings, D-Maryland, sent letters to the makers of 10 generic drugs that have seen price increases of over 300 percent or more in recent months. The price for one of those, the antibiotic doxycycline hyclate, rose more than 8,280 percent during a six-month period from \$20 per bottle to \$1,849 per bottle.

The Generic Pharmaceutical Association said in a statement Thursday that the 10 drugs cited by lawmakers do not reflect the broader U.S. market, which includes 12,000 generic medications that have reduced drug costs by billions.

But pharmaceutical experts testifying Thursday said the price spikes reflect broader price increases for generics, which have traditionally fallen over time.

An analysis of 280 common generic drugs by Professor Stephen Schondelmeyer found that roughly a third recorded prices increases in 2013. The University of Minnesota researcher said those numbers show that generic price increases are not limited to a few isolated cases.

"The markets are broken and we need to do something to fix it," he told the panel. "I think the government needs to step in and develop and monitor solutions."

Dr. Aaron Kesselheim of Harvard Medical School recommended several new government policies, including allowing the Food and Drug Administration to accelerate the clearance of generic drugs for which there are few manufacturers. He also said that federal officials should be notified of all drug price increases greater than 100 percent. In previous cases where drug shortages have led to price spikes, FDA has approved emergency imports of extra supplies from foreign sources.

The lower prices of generic drugs make them the first choice for both patients and insurers. Generic drugs account for roughly 85 percent of all medicines dispensed in the U.S., according to IMS Health. Typically, generic drug prices fall as more companies begin offering competing versions of the same drug.

But recent examples suggest the market forces that have kept generic

prices low are not working properly.

The average price of albuterol sulfate, a common asthma treatment, shot from \$11 per bottle in October 2013 to \$434 per bottle in April, an increase of over 4,000 percent, according to data from the Healthcare Supply Chain Association cited by the Senate subcommittee.

Thursday's hearing followed requests for congressional action by the National Community Pharmacists Association, which says independent pharmacies are being squeezed by the price hikes. In some cases, pharmacists are losing money on drugs that are purchased at new sky-high prices but are still reimbursed at the older, lower rates by pharmacy benefit managers.

"Community pharmacies are put in the untenable position of having to absorb the difference between the large sums of money that they spent to acquire the drugs and the lower amounts that they are paid," said Rob Frankil, who testified on behalf of the pharmacist group.

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