

Novel plan to curb drug costs seeks candidates' attention

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In this June 14, 2011 file photo, various prescription drugs are seen on the automated pharmacy assembly line at Medco Health Solutions in Willingboro, N.J. Consumer-friendly ratings of the benefits of new drugs. Limits on what patients pay. Requiring drug companies to disclose how much they actually spend on research. With the public concerned about the high cost of new medications, these are some of the proposals from a policy center often aligned with the Obama administration. (AP Photo/Matt Rourke, File)

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With the public concerned about the high cost of new medications, these are some of the proposals offered Friday by a policy center often aligned with the Obama administration.

The multistep plan from the Center for American Progress aims to get the attention of the 2016 Democratic presidential candidates. Hillary Rodham Clinton and Vermont Sen. Bernie Sanders are both on record advocating action against overpriced medications.

In a break from standard liberal solutions, the proposal refrains from urging that the government be empowered to negotiate drug prices for Medicare patients. By law, Medicare's prescription drug program can't do that now. Topher Spiro, the center's health policy expert, said he hopes the new emphasis on paying for value and consumer education will attract at least some Republican support.

"We've been talking about Medicare negotiation ... for many, many years and gotten nowhere," said Spiro. "We wanted to change the dynamic." While some of the proposals require legislation, others could be green-lighted by the administration.

But the Pharmaceutical Research and Manufacturers of America strongly criticized the plan, saying in a statement it would impose "arbitrary caps" on prices, "thwart innovation, impede the development of new medicines for patients and cost countless jobs." Industry says the cost of drugs reflects investment in research as well as the uncertainties of developing a new medication.

Nevertheless, insurers, employers, and state and federal policymakers may be interested in the new proposals. A poll this summer found that

72 percent of Americans think the cost of prescription drugs is unreasonable. The outcry gained momentum after the introduction last year of a \$1,000-a-pill cure for hepatitis C.

The 45-page plan seeks to rein in the overall cost of drugs while ensuring that patients get to share in the savings. Among its recommendations:

—Requiring drug companies to disclose how much they spend on research and development, production, and sales and marketing. If a manufacturer fails to meet a threshold for research spending, it could be required to make payments to a new fund to support the National Institutes of Health. Taxpayer-funded NIH research provides the springboard for some new drugs.

—Commissioning an independent research organization to evaluate new drugs for effectiveness. In a strategy similar to safety testing of cars, patients and doctors would get easy-to-understand ratings of whether a new drug provides no added benefit, minor added benefits or significant added benefits when compared to existing medications. The ratings would be included in advertising and would become the basis for pricing recommendations from the independent evaluator. The price guidelines would not be arbitrary, but based on evidence, said Spiro.

—If a new drug is priced more than 20 percent above the recommended price, and if the manufacturer relied on taxpayer-funded research to develop it, the government would be allowed to license that medication's patent to generic competitors. The center claims a 1980 federal law known as Bayh-Dole provides this authority.

—Protecting people covered through employer plans and other private insurance by capping cost-sharing for drugs at \$3,250 annually and setting monthly limits as well.

—Granting exemptions from antitrust laws so insurers and pharmacy benefit managers together could negotiate prices for the highest cost drugs with manufacturers.

—Changing Medicare's payment policy for medications administered in a doctor's office, including many cancer drugs. Physicians currently get an added administrative fee of 6 percent of the drug's price. Critics say that creates financial incentives to prescribe the most expensive medication.

A prominent doctor and researcher said the plan has the potential to shift drug company pricing from a hunt for profits to a search for value.

The industry is currently enjoying "a rising tide in prices that is carrying everything along," said Dr. Peter B. Bach of Memorial Sloan-Kettering Cancer Center in New York City.

"But the bull's eye we want them to be aiming at is higher," added Bach. Under the plan "you would maximize your profits by winning on creating the best medicine."

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