

# No clear path to government-lowered drug prices

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Most Americans support it. Virtually all other developed countries already do it. And the two leading presidential candidates on both sides of the aisle agree: the federal government should lower drug prices.

But experts say the chances for government action in the near-term are close to nil. The reasons are familiar: political gridlock in Washington, pharmaceutical industry influence and the structure of the U.S. health system itself, which limits government intervention.

"There's not much they can do, that's the sad truth," says Ira Loss, of Washington Analysis. "They can't do much so they're not gonna do much—but they're going to talk about it a lot."

Looking ahead, a Democratic president with majorities in the House and Senate might be able to pass major pricing reforms. But even if Democrats retake the Senate this year, Loss and others don't expect Democrats to regain the House.

For now, business in Congress has essentially ground to a halt, as both parties look to the November elections to expand their power. But with a majority of Americans favoring government action on drug pricing, proposals continue to swirl around Washington.

Sen. Orrin Hatch, R-Utah, recently questioned the Obama administration's top health official about rumors that the president might use an executive order to allow the government to negotiate for lower

drug prices. The White House declined to comment on the idea, but most experts agree the president has no authority to make such a change on his own.

Larger changes would require action by Congress, where pharmaceutical companies and related businesses spent more than \$235 million on lobbying last year—more than any other industry.

Still, a series of proposals to put downward pressure on drug prices has taken shape. Here's a look at some of the leading ideas, their potential impact and chances for success :

## MEDICARE PRICE NEGOTIATIONS

The leading proposal by far is to allow the government to negotiate lower drug prices for millions of seniors in Medicare, the government's largest health plan. Both Donald Trump and Hillary Clinton have adopted the idea, which is supported by 83 percent of Americans, according to polling by Kaiser Health Foundation.

But can it get through Congress? And how much money would it really save?

Current law bars Medicare from negotiating drug prices. Instead Medicare drug plans are managed by private insurers and pharmacy managers, who negotiate separately from one another. For years, that approach seemed effective: Medicare drug costs rose about 1.5 percent annually, on average, for most of the last decade. But spending jumped about 13 percent in 2014 after the introduction of several pricey Hepatitis C drugs. Those and other specialty medications are projected to increase spending by 6.5 annually percent in the next decade.

Experts disagree on how much money could be saved by allowing

Medicare to negotiate. When government actuaries last analyzed the proposal in 2007 they estimated savings would be "negligible." That's in part due to uncertainty about what specific powers the government would have in negotiations: Could Medicare refuse to pay for certain drugs? Could Medicare set up its own formulary, like those used in the private sector?

Depending on which powers are available, academics have estimated savings ranging from \$15 billion per year to \$54 billion per year. That uncertainty remains a big hurdle in marshalling support for the proposal.

Clinton's plan for lowering drug prices would have Medicare negotiate lower prices, particularly for "high-cost drugs with limited competition." But it's unclear what specific powers would be granted. Trump has given even less information, saying that the government could save \$300 billion a year if it negotiated discounts. Fact-checkers have pointed out that Medicare currently only spends \$78 billion annually on drugs.

"I think part of the challenge is putting some meat on the bones," says Tricia Neuman, of the nonpartisan Kaiser Health Foundation. "I think the savings will depend on the specifics of the policy."

## EXTENDING MEDICAID DISCOUNTS

A more concrete proposal involves extending price rebates in Medicaid—the government health plan for the poor—to low-income seniors in Medicare.

Medicaid, which is a state-federal program, receives legally-mandated discounts from drugmakers that are roughly 50 percent below the market price of most drugs. That compares to discounts of about 30 percent for privately-negotiated Medicare drug plans.

Extending the Medicaid discounts to 9 million low-income Medicare enrollees would reduce government drug spending by \$103 billion over 10 years, according to government actuaries. Total U.S. retail drug spending would fall about 5 percent, according to Richard Evans, a health care analyst for SSR.

But it faces familiar headwinds in Congress, including opposition from drugmakers. The Obama administration has proposed the switch several years in a row, but it has never received a vote in the House or Senate.

## RARE DRUG INCENTIVES

Many of the most expensive drugs hitting the market are for rare diseases, including a record 21 drugs last year—nearly half of all first-of-a-kind approvals. U.S. law encourages development of these drugs by granting tax breaks, accelerated reviews and competition-free marketing for 7 years to manufacturers. Some policy makers have proposed scaling back those benefits when drugs are priced above a certain threshold. Still, any changes would likely face opposition by both drugmakers and rare disease advocates, who lobbied for the 1983 law that first put the incentives in place to encourage drug development.

## FDA DRUG REVIEWS

Another proposal making the rounds in Washington would allow the Food and Drug Administration to reorder the drugs in its review pipeline to encourage competition—and lower prices.

Some experts say drugs should be reviewed the aim of creating more competition for high-priced drugs. But this idea, like all the proposals on this list, would also require congressional action. Republicans in Congress have long voted with the pharmaceutical lobby's interests. Likewise, Democrats from industry strongholds like New Jersey and

California often side with drugmakers.

"It's not a question of whether there are options on the table," says Neuman. "It's a question of whether policy makers choose to adopt them."

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