

# Study examines reasons for high cost of prescriptions drugs in US, approaches to reduce costs

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High prescription drug prices are attributable to several causes, including the approach the U.S. has taken to granting government-protected monopolies to drug manufacturers, and the restriction of price negotiation at a level not observed in other industrialized nations, according to a study appearing in the August 23/30 issue of *JAMA*.

The increasing cost of [prescription drugs](#) in the United States has become a source of growing concern for patients, prescribers, payers, and policy makers. Aaron S. Kesselheim, M.D., J.D., M.P.H., of Brigham and Women's Hospital and Harvard Medical School, Boston, and colleagues reviewed the peer-reviewed medical and health policy literature from January 2005 to July 2016 for articles addressing the sources of [drug prices](#) in the United States, the justifications and consequences of high [prices](#), and possible solutions.

The authors write that per capita prescription [drug](#) spending in the United States exceeds that in all other countries, largely driven by brand-name drug prices that have been increasing in recent years at rates far beyond the consumer price index. In 2013, per capita spending on prescription drugs was \$858 compared with an average of \$400 for 19 other industrialized nations. In the United States, prescription medications now comprise an estimated 17 percent of overall personal [health care](#) services.

Drug prices are higher in the United States than in the rest of the industrialized world because, unlike that in nearly every other advanced nation, the U.S. health care system allows manufacturers to set their own price for a given product. In contrast, in countries with national health insurance systems, a delegated body negotiates drug prices or rejects coverage of products if the price demanded by the manufacturer is excessive in light of the benefit provided; manufacturers may then decide to offer the drug at a lower price.

The most important factor that allows manufacturers to set high drug prices is [market exclusivity](#), protected by monopoly rights awarded upon Food and Drug Administration approval and by patents. The availability of generic drugs after this exclusivity period is the main means of reducing prices in the United States, but access to them may be delayed by numerous business and legal strategies. The primary counterweight against excessive pricing during market exclusivity is the negotiating power of the payer, which is currently constrained by several factors, including the requirement that most government drug payment plans cover nearly all products. Another key contributor to [drug spending](#) is physician prescribing choices when comparable alternatives are available at different costs. Although prices are often justified by the high cost of drug development, there is no evidence of an association between research and development costs and prices; rather, prescription drugs are priced in the United States primarily on the basis of what the market will bear.

The researchers write that the most realistic short-term strategies to address high prices include enforcing more stringent requirements for the award and extension of exclusivity rights; enhancing competition by ensuring timely generic drug availability; providing greater opportunities for meaningful price negotiation by governmental payers; generating more evidence about comparative cost-effectiveness of therapeutic alternatives; and more effectively educating patients, prescribers, payers,

and policy makers about these choices.

"There is little evidence that such policies would hamper innovation, and they could even drive the development of more valuable new therapies rather than rewarding the persistence of older ones. Medications are the most common health care intervention and can have a major benefit on the health of individuals, as well as of populations, but unnecessarily high prices limit the ability of patients and health care systems to benefit fully from these vital products."

**More information:** *JAMA*, [DOI: 10.1001/jama.2016.11237](https://doi.org/10.1001/jama.2016.11237)

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