

Hospital industry says it, too, is slammed by drug costs

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In this June 14, 2011 file photo, various prescription drugs on the automated pharmacy assembly line at Medco Health Solutions in Willingboro, N.J. The nation's hospitals say they, too, are getting slammed by sharp price increases in prescription drugs. The industry is urging the next president and Congress to take up the issue. A study released Tuesday, Oct. 11, 2016, by the two biggest hospital lobbying groups finds the average annual inpatient drug spending increased by more than 23 percent between 2013 and 2015. (AP Photo/Matt Rourke, File)

Hospitals, too, are getting slammed by sharp price increases in prescription drugs, and the industry is urging the next president and Congress to take up the issue.

Consumer groups and insurers were already complaining loudly about drug costs. Now hospitals are turning up the volume as well, leaving the pharmaceutical industry more politically isolated.

A study released Tuesday by the two biggest hospital lobbying groups found that overall, hospitals' average annual inpatient drug spending increased by more than 23 percent between 2013 and 2015.

The NORC study for the American Hospital Association and the Federation of American Hospitals found higher prices were primarily responsible for the spending increase, not the quantity of medications used.

Measured on a per-admission basis, the increase was even more striking, nearly 39 percent. Per-admission spending on medications increased from \$714 in 2013 to \$990 two years later. NORC at the University of Chicago, which conducted the study, is an independent research organization.

Hospitals say they can't easily pass on the cost of pricey drugs because private insurers and government programs like Medicare usually pay a pre-determined amount per case.

"The system is clearly broken," Scott Knoer, chief pharmacy officer at the Cleveland Clinic, said in a teleconference sponsored by the two hospital lobbying groups. "The (pharmaceutical) industry has proven time and time again it can no longer regulate itself."

Calling the recent spate of price increases "egregious," Knoer said there's no way hospitals can get on top of it. When the price of one drug stabilizes, another zooms up. "It's like playing whack-a-mole," he said.

One-third of hospitals in the study said drug prices had a "severe" impact on their budgets.

Leaders of the two hospital groups said they want to avoid an outcome in which the government directly regulates drug prices, but they add that a debate is clearly needed.

"The concern about the rising cost and prices of prescription drugs has been a bipartisan issue," said Rick Pollack, president of the hospital association. "We are hoping this study will help inform policy makers as to the nature of the problem."

The NORC study was based on data from 712 of the nation's more than 4,300 community hospitals. It also analyzed drug purchase costs for 28 drugs from two major group purchasing organizations, which allow hospitals to maximize volume discounts for commonly used supplies.

The study found that price increases seemed to be "random, inconsistent and unpredictable." It found sizable price increases both for highly used drugs and some that get less use, as well as for branded and generic drugs. Inpatient drug spending grew more rapidly than retail prescription spending in 2014 and 2015.

Among the examples:

The unit price hospitals paid for acetaminophen, a commonly used pain reliever, rose by 135 percent from 2013 to 2015. Researchers developed a "per-unit" benchmark to measure prices across different dosages.

The drug that saw the highest per-unit increase was Daraprim, an infection-control medication that was originally approved in 1953. The study said its unit price jumped 3,695 percent, from \$919.10 to \$34,882.24 after it was acquired by Turing Pharmaceuticals.

Turing was formerly run by Martin Shkreli, a brash entrepreneur whose indifference to complaints about the company's aggressive pricing earned him a reputation as pharma's bad boy. He has pleaded not guilty to federal charges in an unrelated securities fraud case.

More than half of U.S. adults take prescription drugs, and according to a recent Kaiser Family Foundation poll most of those patients report no major problems affording their own medications.

But consumers have been alarmed by the introduction of breakthrough drugs costing tens of thousands of dollars a year, along with a spate of seemingly arbitrary price hikes for older medications. More than 3 out of 4 say the cost of prescription drugs is unreasonable. A majority favors government action to curb costs.

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