



Fact Sheet

Senator Jay Rockefeller, West Virginia

April 11, 2013

Government Paying Unconscionably High Drug Prices

U.S. Taxpayers Help Fund Drug Discovery

The federal government plays an important role in facilitating the creation of new pharmaceuticals. The federal government supports work in areas where there is an identified need for research, primarily basic research, not being performed in the private sector. This research is funded primarily by the National Institutes of Health (NIH). The government's financial, scientific, and/or clinical support of pharmaceutical R&D entitles the public to commensurate considerations in the prices charged for any resulting drugs. Currently, this is not happening.

Negotiated Prices Are the Norm and Should Be Again for Dual Eligibles

Even if taxpayers did not provide underlying support for the creation of pharmaceutical products, there is no reason taxpayers should pay higher than necessary drug prices for dual eligibles and other low-income Medicare beneficiaries. And yet taxpayers do just that. Since the creation of Medicare Part D, taxpayers no longer pay government-negotiated prices for these beneficiaries but higher prices established for the Part D program. Just by returning these beneficiaries to Medicaid-negotiated rebates, taxpayers would save \$141.2 billion over the next ten years.

Medicaid Negotiated Rebates Save Money over Part D Pricing

Medicaid collected nearly two-thirds as much as Part D in rebates for the 100 brand-name drugs (\$2.9 billion vs. \$4.5 billion), despite having only about one-fourth of the expenditures (\$6.4 billion vs. \$24 billion).¹

¹ HHS OIG report: Higher Rebates for Brand-Name Drugs Result In Lower Costs for Medicaid Compared to Medicare Part D, August 2011

Unnecessarily Higher Prices Are Especially Problematic with Life-Threatening Illnesses

The medical community is beginning to publicly vent their outrage at the price of drugs, especially for drugs used to treat life-threatening illnesses. Three examples can be found below.

CANCER:

A study published in the *Journal of Clinical Oncology*² in May 2012 examined the financial hardships experienced by patients who received adjuvant chemotherapy for the treatment of colon cancer. These authors shine a light on a serious problem facing many patients with cancer and their families. In their study, 38 percent of patients had one or more financial hardships as defined by fairly extreme measures: sold or refinanced a home, borrowed money, or experienced a 20 percent or greater decline in annual income. Most of us would consider these types of expenses as overly burdensome and nearly impossible to overcome—especially if employment were no longer an option for the survivor of cancer.³

The prices of drugs needed to treat life-altering illnesses have spiraled so out of control that even physicians have begun pushing back. An unusually bold stand by doctors at the Memorial Sloan-Kettering Cancer Center in New York forced a big drug company to reduce the cost of an overpriced drug for treating colorectal cancer that was no better than a cheaper competitor and did almost nothing to extend a patient's life. The drug, Zaltrap, was initially priced at about \$11,000 a month, more than double the price of a competing drug, Avastin, made by Genentech, which is itself considered too expensive by many doctors for the minimal medical benefit it delivers. When added to standard cancer treatments, both drugs improve the median survival time of patients by a minuscule 1.4 months.

The doctors at Sloan-Kettering balked at the high price of Zaltrap and decided not to approve the drug for use in the hospital. Three of the doctors then wrote an Op-Ed article in *The New York Times* explaining their rationale and making a strong case that there is often little relationship between the prices of drugs and the value they provide. Companies often seem to charge what the market will bear for cancer drugs — as much as \$35,000 a month and \$100,000 a year in various cases.

² Bradley CJ: Financial Hardship: A Consequence of Survivorship? *J Clin Oncol* 30:1579-1580 2012

³ Shankaran V, Jolly S, Blough D, et al: Risk factors for financial hardship in patients receiving adjuvant chemotherapy for colon cancer: A population-based exploratory analysis. *J Clin Oncol* 30:1608-1614, 2012

HIV:

Gilead Sciences set an annual wholesale price of \$28,500 for its once daily single tablet HIV -1 medication following the drug's August 27, 2012 approval by the Food and Drug Administration (FDA). Prior to the FDA's approval, 13 Democratic members of the House of Representatives sent a letter to the Gilead Sciences asking the company for a more affordable price for the drug. In the August 1 letter, the Members said that setting a wholesale price above \$27,000 annually for the tablet would cause problems for the AIDS Drug Assistance Program (ADAP).⁴

MULTIPLE SCLEROSIS (MS):

Fewer than 0.1% of prescriptions written in the U.S. are drugs for MS, but these represent 3.1% of total drug costs. The global MS drug market is now estimated at \$10 billion, and is predicted to experience double digit increases on an annual basis. Two MS drugs are now in the top 20 in terms of global sales: with annual sales of \$3.3 billion and \$2.5 billion respectively. Currently, drug costs account for more than half of the total cost of care for MS.

The big surprise is that as competition for the MS market intensifies, costs appear to be moving sharply upward rather than down. The newest MS therapy to hit the market was fingolimod (Gilenya, Novartis) in the fall of 2010. Gilenya, the first oral disease modifying therapy for MS, was priced at \$48,000 US per year, igniting global sticker shock. One might have anticipated that the high price of Gilenya would provide an opportunity for the older injectable therapies to differentiate themselves based on lower price. On the contrary, prices of all MS therapies have galloped higher, seemingly in lockstep with Gilenya. For example, the price of glatiramer acetate has been raised in the US to approximately \$45,000 per year, an amazing increase of 40 percent in the past two years.

One wonders why, in 2012, we still lack any coherent system of public interest arbitration to help guide drug pricing, or lacking this, some rational system to create competition on the basis of price and value.⁵

⁴ Mike Mitka: MSJ New HIV Drug Pricing. JAMA. 2012;308(14):1421

⁵ Hauser SL Claiborne Johnston S: Multiple Sclerosis Drugs: Sticker Shock (editorial) Annals of Neurology April 20, 2012