

High Drug Prices- and What we can do about it

How high are drug prices in the United States?

The amounts of money we pay for all categories of prescription drugs in the U.S. are much higher than the amounts people in other wealthy countries pay. In fact, Americans pay often double or triple the prices in other countries for the same medications.

The secrecy of drug prices makes it hard to come up with a single comparison number. Including discounts U.S. patients receive, [specific examples include](#) (price per month):

	Humira - a treatment for severe rheumatoid arthritis and other autoimmune conditions)	Crestor - a common cholesterol lowering drug	Advair - a drug for asthma and COPD
U.S.	\$2,504	\$86	\$155
Germany	\$1,749	\$40	\$38
Canada	\$1,164	\$32	\$74
U.K.	\$1,158	\$26	\$47
France	\$982	\$18	\$35

What do drug companies claim causes high drug prices in the United States?

The drug companies claim that prices are so high because high research costs. They cite figures of over \$2 billion spent for research for every drug that successfully reaches the market. (They arrive at this figure by including the costs for drugs that fail to reach the market to those that do.) Critics have replied with two objections: 1) these research cost claims are grossly inflated; 2) the American public has already paid for much of the drug development by paying taxes which support the National Institutes of Health, the body which funds much of the initial pharmaceutical research.

What are other, more important, reasons for high drug prices in the United States:

- *No negotiation for lower prices.* Unlike other wealthy countries, which have strong governmental or quasi-governmental agencies negotiating for better drug prices, no public or private agencies in the U.S. effectively use their negotiating power for better drug prices. Current law prevents the federal government from negotiating better prices for Medicare patients. During his campaign, Trump promised he would do just that but has changed course since he became president.
- *The high costs of marketing to both patients and health professionals.* Shockingly, we know that professionals in particular change their practice behavior based on marketing. Marketing costs also include the billions that pharmaceutical companies spend on lobbying the federal government and states.
- *Drug price secrecy.* “Lack of transparency” is the technical term for the fact that the public can’t learn how much money really was spent on research or how much it costs to produce drugs.
- *Patent Protection and Extending the Patent with Minor Tweaks.* The profit margin for drug companies averages about twice the profit margin of other major industries. Patent protection on new drugs creates much of their profits. To maximize these profits from patent protection, drug companies constantly push to extend patent protections by making minor tweaks on drugs.

What are the options to decrease pharmaceutical costs at a national, state and local

level? There are basically two options for controlling pharmaceutical costs: the government can get directly involved in setting and/or negotiating prices with manufacturers or the government can make it easier for the private sector to compete and hope that prices will go down. We know from experience, particularly from Canada or countries in Western Europe, that when governments get directly involved in setting prices, pharmaceutical costs to consumers go down and go down dramatically. Different states are trying variations of formulary restrictions on what medications are covered. Alternatively, making it easier for the private sector to compete might make a modest difference in prices.