Comment: Cost Containment Areas in the Pharmaceutical Industry

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A system that forces you to choose between life-saving medications for your heart, diabetes, or allergies based on affordability, is one that has ample room for change. On analysis of the various cost-saving measures employed by high-income countries around the world, one common thread emerges – controlling pharmaceutical prices and policies (Stabile et al., 2013). The United States found out first-hand what the lack of a price cap means for drug affordability, when pharmaceutical company Mylan raised the price of EpiPen by almost 500 percent over the past seven years. At a price tag of 608 dollars, many parents balked at the prospect of not being able to provide an emergency life-saving treatment to their children, for a medical condition as ubiquitous as anaphylaxis. When patients found out that profit margins of the company went up from 8.8 percent to 60.3 percent, concurrent with 16 price hikes on EpiPen, public outrage was instantaneous, and led to a congressional oversight meeting to demand accountability from Mylan's leadership (Dorfman, 2016). The resulting investigation revealed some troubling data about how the company was able to monopolize the market and dictate its own pricing.

With the cost of manufacturing the EpiPen itself being as low as 30 dollars per injector, and the drug (epinephrine) costing one dollar per dose, one is left to wonder how the company was able to charge as much as it did; the answer is simple – because it could. Mylan bought the rights to the EpiPen about 10 years ago, and since then has essentially monopolized the market. In order to receive discounts on the medication, schools, which constitute a major portion of the drug's business, were required to sign a contract agreeing not to purchase any products from Mylan competitors for several years (Willingham, 2016). This rendered them unable to move to cheaper, generic alternatives as Mylan kept hiking prices, while competitors slowly went out of business due to reduced sales. In addition, even in the case of available alternatives, if a physician prescribes a brand name drug due to familiarity and widespread advertising, pharmacists are unable to substitute a cheaper equivalent on their own without calling the doctor due to strict federal laws. Adopting reforms to allow pharmacists to dispense low cost alternatives would offer

patients more options to suit their budget, and reduce the power of drug monopolies (Shrank et al., 2007).

Competition is essential to keeping drug prices down, a process that is inherently threatened if companies are able to purchase patents on medications that do not expire for long periods of time, reducing the development of generic versions. Mylan is not the sole company to face controversy for 'anarchy pricing'; Turing Pharmaceuticals caused mass discontent when they hiked the price of Daraprim, a drug for an opportunistic AIDS infection, by 5000 percent. The drug, pyrimethamine, has been highly effective against toxoplasmosis, and no new research or changes to the structure have been made in the last 50 years to justify such a price increase (Pollack, 2015). Due to exclusive patents, companies can dictate the price for niche drugs, corner the market and benefit company leadership at the expense of patients, who have no other options and must pay a steep price for necessary treatments.

These issues can be addressed by government regulation of pharmaceutical pricing and policies. Enabling the government to negotiate with pharmaceutical companies on behalf of patients, based on the drug's clinical value, would place a cap on the sales price of essential medications, easing patients' financial burden (Bradley and Taylor, 2013). Establishing a maximum on the amount companies can spend on marketing in relation to research and development would also hold companies accountable to focus on improvement of medications as opposed to profits. Limiting patent duration and needless extension, if the drug structure or delivery is not significantly changed, would then encourage the development of affordable generics and facilitate competition between companies, thus ensuring fair pricing. Another way to even the playing field between brand name and generic drugs would be to remove the seven-year long marketing exclusivity that the FDA grants to new drugs to boost initial sales (Emanuel, 2016). In conjunction with this provision, the FDA routinely delays the release of competitor drugs, due to its stringent approval process. The US, taking a page from other developed nations, should improve the transparency of the FDA, encourage open markets, and impose federal drug regulations on pharmaceutical companies to encourage competition and fair pricing, in accordance with its democratic-capitalistic ideals.

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