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EXCESSIVE PHARMACEUTICAL PRICING NEEDS CURBING

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The pharmaceutical industry is out of control. That is the conclusion of a recent article in the *New York Review of Books (NYRB).* A case in point is Moderna, the maker of a COVID-19 vaccine. The federal government paid the company $2.48B to develop a vaccine and bought millions of doses at $26 each. With the end of government funding in sight, the company announced that it would produce an updated vaccine at $130 per dose. The public was outraged.

NYRB delivers an "indictment of American drug companies and the federal government for all too often privileging profit over health, and of the research universities, medical professionals and philanthropists who have been deeply complicit with them."

Things started to go bad after World War II, as "the pharmaceutical industry, aided by the federal government and philanthropic foundations … produced an enormous arsenal of drugs against a variety of fearful diseases and disorders," but it "also single-mindedly profit maximization by engaging in price gouging, blocking the availability of cheaper generics, and exploiting the patent and regulatory systems to harass and suppress competition."

Part of the problem has been the use of patents, which "enabled huge price markups, generating corporate profit margins" … "double and often triple those found in other manufacturing sectors." The original intent of granting patents was to make sure companies would make the drugs "available to the public on 'reasonable terms.'" Significant reforms of the patent practices have been proposed and struck down.

The industry managed to extend the life of patents beyond the limit of 17 years, raising it to 20 years. And patents would be longer still with the introduction of slightly modified versions of the medicine in question, a "process called evergreening." Without providing evidence, pharmaceuticals argued that higher prices were necessary to meet "the costs of development, including research, clinical trials and failures."

A notorious case was the drug ATZ, the first treatment for AIDS. It came to market in 1987 at a cost of $10,000 for a year's supply. Public pressure forced the maker, Burroughs Wellcome, to lower the price to $8,000 per year. It did not make a dent in the company's profit, with sales of more than $1B by 1991.

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Overall, the industry fought hard against the introduction of much cheaper generic medicine, declaring them to be "counterfeits." In 1970, the pharmaceutical industry successfully lobbied for the introduction of laws in all 50 states prohibiting pharmacists from dispensing the more affordable medicine. (In the mid-70s, a coalition of the AARP, organized labor, and consumer groups overturned these laws in 40 states.) Pharmaceutical companies also successfully resist a call from poor nations to allow for the production of life-saving generic COVID-19 vaccines.

The excessive cost of medicine is a stark reality confronting SOMOS Community Care, a network of over 2,500 independent doctors who serve some 1 million of New York City's most vulnerable Medicaid patients. Drug prices in the US are four times as high as prices in other high-income societies. Many low-income patients—struggling to pay for the drugs they need even on Medicaid—cut pills or forego doses altogether, putting their health at risk. At times, there is also drug scarcity, leaving doctors and their patients at a disadvantage. And insurance companies will not cover certain medicines.

The monopoly enjoyed by the pharmaceutical industry—prone to corruption—is a glaring injustice hurting people with low incomes, denying them vital medication. It is a practice opposed to the higher calling of companies to serve the well-being of society. The industry must reform itself and consider its research and development slate, as there is a flipside to the high cost of medicine—the saturation of the market that instills a need in the public to consume ever more drugs.

There is a glimmer of hope as the US government has set in motion a negotiation with the pharmaceutical industry to lower the prices of 10 drugs taken by Medicare enrollees and covered under Medicare Part D. In 2022, Medicare members paid a total of $3.4B for these drugs that are used to treat diabetes, heart failure, blood clots, and autoimmune disorders, conditions that disproportionately impact women, communities of color, and people in rural areas. Some 9 million people take these drugs, which has generated $493B in global revenue for the drug companies.

Now, finally, the federal government is putting some pressure on the industry to curb its prices, just as is standard practice in other industrialized nations. The move is part of the Inflation Reduction Act of 2022, signed into law by President Biden. Not surprisingly, a coalition of drug companies and industry lobbying groups have filed lawsuits aimed at forcing the US government to halt its bid to move ahead with the negotiations—even though 9 companies have agreed to sit down with federal negotiators. It appears, however, that the lawsuits will have little traction. The negotiations may mark the beginning of real change.

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