

INSTITUTE
FOR HEALTH
POLICY
FORUM

ADDRESSING HIGH DRUG PRICING



Jaime Mulligan (Moderator)

Sr. Communications Director, Gov. Relations
Kaiser Foundation Health Plan, Inc.

Steve Pearson, MD, MSc

Founder and President
Institute for Clinical and Economic Review

Peter Bach, MD, MAPP

Director, Center for Health Policy & Outcomes
Memorial Sloan Kettering Cancer Center

Fiona Scott Morton, PhD

Theodore Nierenberg Professor of Economics
Yale University School of Management

Panel: The Nature of the Problem

Fiona Scott Morton , PhD

Theodore Nierenberg Professor of Economics
Yale University School of Management

Nature of the Problem: Why are Rx Prices so high
in the US?

Root Causes

- No price regulation in US – rely on free market to determine prices
- But how well do these markets work?
- The doctor makes the choice between drugs
 - Doctor does not know the net price
 - That net price depends on the patient's insurer
- The patient is the final consumer, but usually insured
 - Insurance means patient either pays zero, a fixed amount, or even list price (in a deductible)
 - None of those is a market price
- PBM as a “shopper” and price negotiator is no longer working well

Why now? Last 10 years have seen a cumulation of factors

...that increase list prices and net transaction prices

- Fragmentation in innovation – leads to free-riding
- Design of Part D - making catastrophic region profitable
- Protected classes – gives buyer no bargaining power
- Biologic market share growing – and little biosimilar entry
- Biosimilar entry deterrence – pay-for-delay, loyalty rebates, etc
- PBM consolidation – makes PBM less good agent for client (now seeing a market response to this)
- Generics: price-fixing antitrust cases, lower time to market
- Many consumers have high deductible plans – and thus must pay these list price in the deductible

Q + A



#KPIHP #drugprices