

How Drug Pricing Works

By Robert Langreth
Health reporter
Bloomberg News

Brand Drug Pricing Basics

- Brand drug list prices (almost) always go up.
- Two price hikes a year hasn't been uncommon
- Small players tend to have biggest hikes:
Novum Pharma's Alcantin A gel rose 4,116% to \$7,968 a tube in 2016 from \$189 in 2015.
- But Big Pharma also has high prices. Cancer pills routinely cost \$10,000 a month or more.

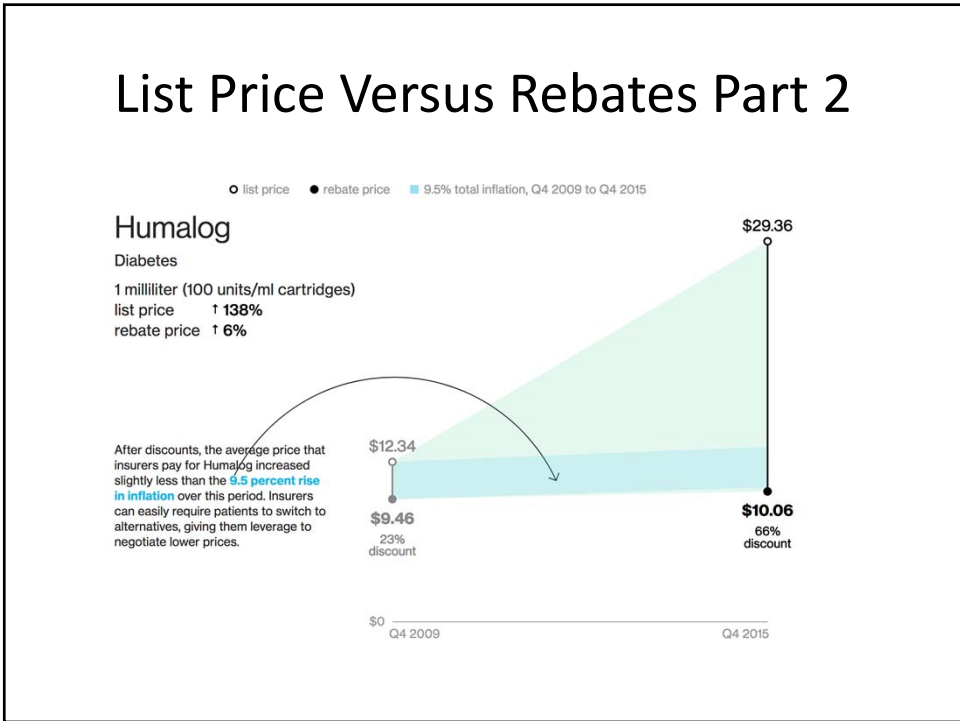
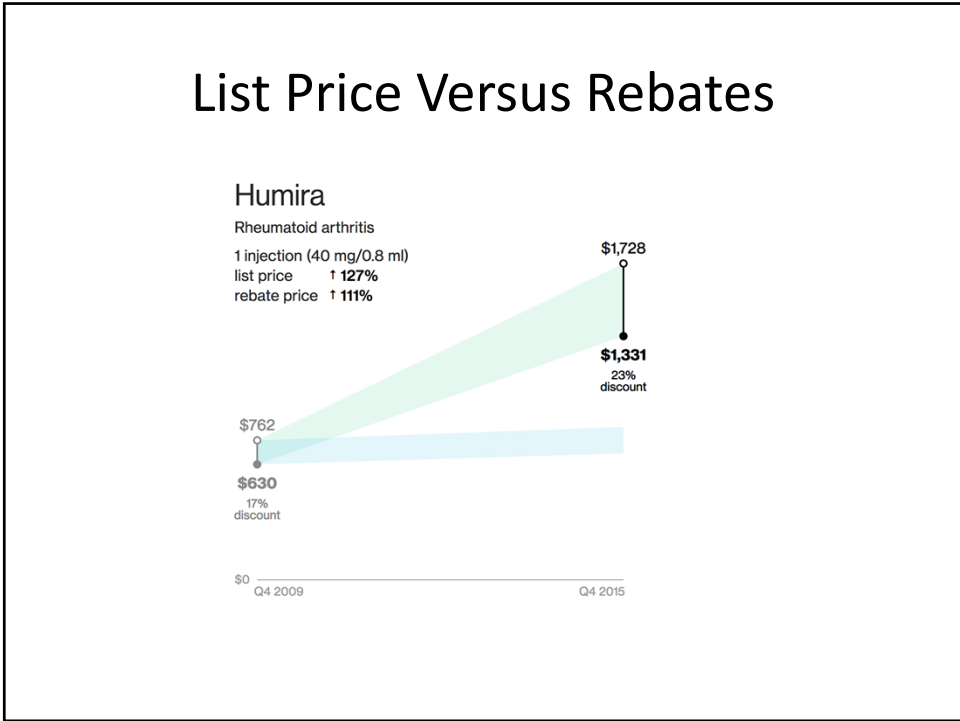
The Price Hike Champion

He raised Daraprim's price over 5000% from \$13.50 to \$750 a pill.



Brand Drug Rebates

- List prices don't include rebates negotiated by drug benefit managers, such as CVS Health.
- Employers/insurers get most rebates but benefit managers retain some for themselves.
- Most drug prices, even after discounts, rose faster than inflation, Bloomberg found in 2016. In 2017, IQVIA says net price hikes slightly below inflation.
- Patients usually don't share in rebates. If you are uninsured or in deductible you may pay list price.



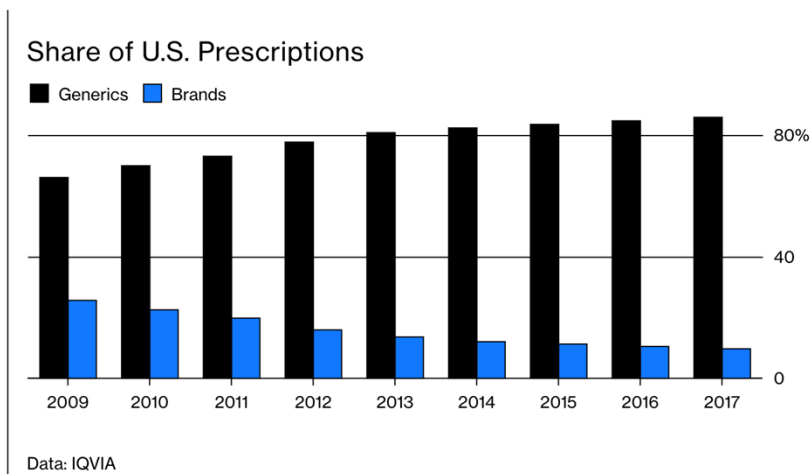
Trump Targets Middlemen

- Trump’s drug price plan is “eliminating” middlemen.
- But his plan could preserve and expand role of drug benefit managers, including in Medicare.
- Biotech stock prices rose on news of plan. It doesn’t include government price negotiation.

Drug Industry Dodges Its Worst Fears in Trump’s Plan to Lower Prices

By Anna Edney, Erik Wasson, and Robert Langreth
May 11, 2018, 4:08 PM EDT Updated on May 11, 2018, 4:46 PM EDT

Generics Drug Pricing



Generic Drug Prices Go Down, Mostly

- Normal state of affairs is deflation
- List prices have nothing to do with sales prices
- Right now, deflating particularly rapidly

■ April 11, 2018, 5:00 AM EDT

Why We May Lose Generic Drugs

- Manufacturers say they may stop making medicines that don't turn a profit.

By Cynthia Koons

But....

- Sometimes old generic drugs have mysterious price spikes
- Often happens when competition goes off the market due to manufacturing issues or safety rules
- Also, Justice Department price fixing investigation

2,000% Drug Price Surge Is a Side Effect of FDA Safety Program

By Robert Langreth and Cynthia Koons
October 6, 2015, 5:00 AM EDT Updated on October 6, 2015, 10:37 AM EDT

-

Broken Market for Old Drugs Means Price Spikes Are Here to Stay

By Cynthia Koons and Robert Langreth
November 18, 2015, 5:00 AM EST

Biosimilars

- Not many of these on the market yet
- 11 FDA approved biosimilars, for 8 brand drugs. But most not yet marketed.
- Sales impact small so far in the U.S.
- One reason: brand drug patents
- Over Humira's lifetime, AbbVie has secured more than 100 patents to prevent anyone from attempting to copy Humira, with \$18 billion in annual sales.