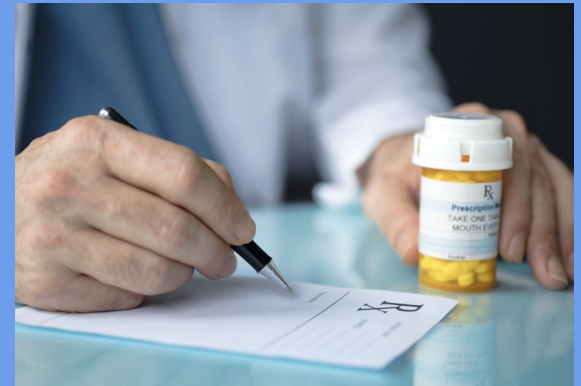


Prescription Drug Costs in the United States

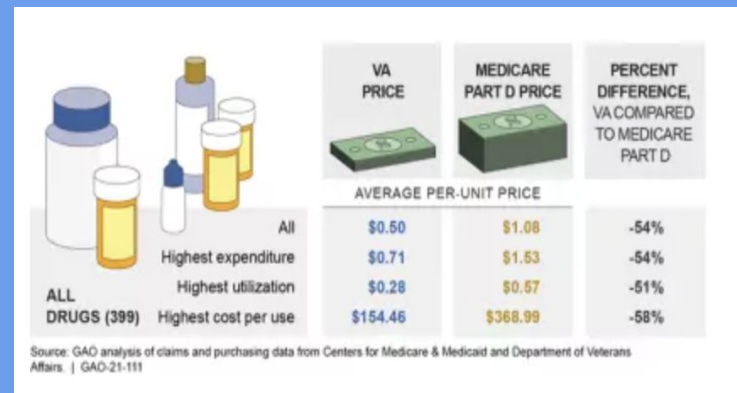


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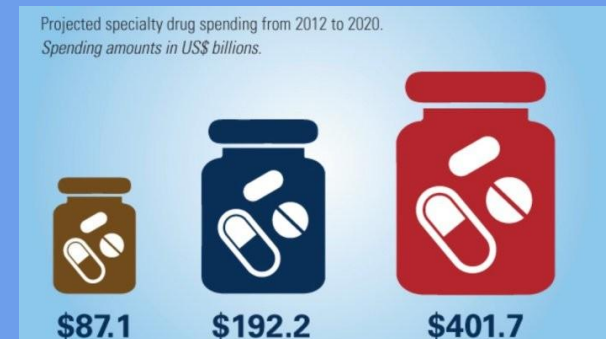
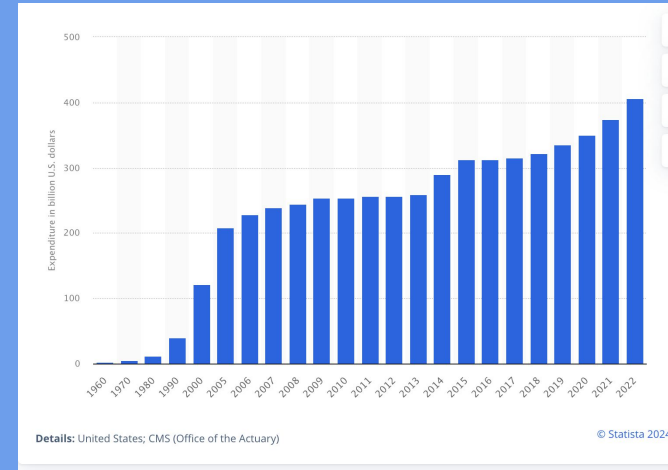
Problem Definition: High Costs & Impact on Public Health

- More than 131 million people in the US use prescription drugs
 - 75% of people aged 50-64
 - 91% of people 80 and over
- Older adults pay the highest out-of-pocket costs for prescription drugs
- High costs of medications lead to negative impacts on health
 - Some people may not fill prescriptions because of the costs
 - Some may spend less on other necessities (food, heat, etc.) to pay for medication
 - In 2016, 1 in 7 adults in US did not fill prescriptions due to cost



Why are Prescription Drug Prices so High?

- In 2021, US spent \$603 billion on prescription drugs
- Utilization of prescription medications is increasing
 - Advertisements for certain drugs
 - Fee-for-service system
 - More effective disease identification
- New versions of drugs have higher prices and exclusivity periods
 - Specialty drugs are particularly expensive
- Consolidation of drug companies
- Lack of government involvement in regulating drug prices



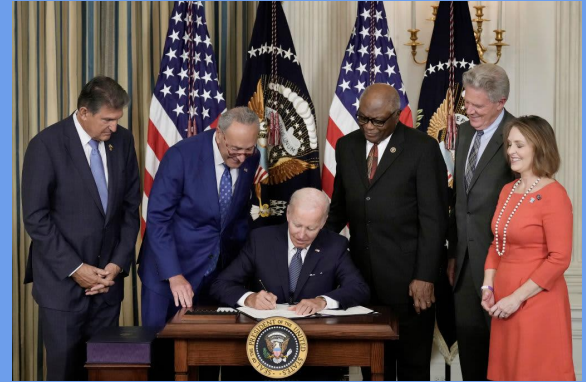
History of Addressing Prescription Drug Coverage

- Enactment of Medicare (1965)
- Task Force on Prescription Drugs established (1967)
- Medicare Catastrophic Coverage Act (1988)
- Balanced Budget Act (1997)
- Medicare Prescription Drug, Improvement, and Modernization Act (2003)
- Affordable Care Act (2010)



How Inflation Reduction Act Addresses High Prescription Drug Costs

- Lowers costs of prescription drugs for Medicare beneficiaries
 - Cap for out-of-pocket costs
 - \$35 monthly cap per prescription for insulin covered by Medicare
 - \$0 out-of-pocket cost for recommended vaccines
- Increases transparency for consumers/regulators
 - Requires certain companies to pay rebates if they increase drugs faster than rate of inflation
 - Pharmaceutical companies must disclose breakdown for reasoning behind drug price
- More government involvement in regulating costs
 - Secretary HHS can negotiate prices for certain high-cost prescription drugs for Medicare beneficiaries



Actors involved

Official/unofficial actors...

- Legislative/Executive/Judicial branch
- Government agencies (HHS, etc.)
- Hospitals, medical providers
- Association of American Medical Colleges (AAMC)
- Pharmaceutical Research and Manufacturers of America (PhRMA)
- Medicare beneficiaries



Evaluation of IRA

- Makes healthcare more accessible and affordable for individuals
- May negatively impact innovation and research/development of new drugs
- Incentivizes drug companies to enter markets that are the most profitable (ie specialty drugs, wider range of consumers, etc.)
- Ideological conflicts among government leaders over expansion of Medicare and involvement of government in price negotiation

Policy Options & Recommendation

- Value-based research to determine drug prices
 - Drugs priced based on patient's outcome
- More comparative drug research
 - Medical providers hesitant to prescribe cheaper, generic drugs due to lack of research
- Purchasing prescription drugs outside of the US
 - Difficult to regulate safety and effectiveness
- Step programs
 - Patients must prove that a preferred drug does not work for them before being prescribed non-preferred or specialty drug
- More transparency between medical provider and patient
 - Doctors should ensure patients receive most effective and lowest cost medications

Sources

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