



FOCUS ON

PHARMACY COSTS

Big Pharma is expected to ring in the New Year by increasing prices on at least 350 drugs in 2023 according to a recent analysis by 3 Axis Advisors.¹ This includes:

| January 2023 Price Increases | |
|--------------------------------|--------------------|
| Drug name (Purpose) | Price increase (%) |
| Gilenya (multiple sclerosis) | 14.0% |
| Alphagan (eye drops) | 10.0% |
| Afinitor (cancer) | 9.9% |
| Hycamtin (lung cancer) | 9.9% |
| Diovan (hypertension) | 9.9% |
| Adipex-P (diet drug) | 9.4% |
| Breyanzi (lymphoma) | 9.0% |
| Xalkori (lung cancer) | 7.9% |
| Benlysta (lupus) | 7.7% |
| Celebrex (arthritis) | 7.0% |
| Shingrix (shingles) | 7.0% |
| Xeljanz (rheumatoid arthritis) | 6.0% |

Source: 46brooklyn

This is on top of increases that drug manufacturers imposed on more than 500 brand named drugs last January, spanning medications for a broad range of diseases including treatments for cancer, multiple sclerosis, nerve pain, hypertension, and attention deficit hyperactivity disorder, with several increasing their prices by double-digits.² Among them:

| January 2022 Price Increases | |
|---|--------------------|
| Drug name (Purpose) | Price increase (%) |
| Tyblume (oral contraceptive) | 15.8% |
| Nucynta (opioid painkiller) | 15% |
| Paclitaxel (chemotherapy medication) | 10.0% |
| Frova (treats migraines) | 9.9% |
| Lidoder (treats symptoms of nerve pain) | 9.9% |
| Xtampza (opioid) | 9.9% |
| Ampyra (multiple sclerosis) | 9.5% |
| Adderall (ADHD) | 9.4% |
| Tekturna (high blood pressure) | 9.0% |

Source: GoodRx.com

Overall, in 2022 the pharmaceutical industry raised prices on 791 brand name drugs by an average of 4.9% in early January with another round of price increases on almost 100 additional brand name products in July.³ Further, an analysis from the U.S. Department of Health and Human Services released in October 2022 found that between 2021 and 2022, Big Pharma increased prices at rates higher than inflation on more than 1,200 drugs — with an average price increase of 31.6%.

¹ <https://www.reuters.com/business/healthcare-pharmaceuticals/drugmakers-raise-prices-least-350-drugs-us-january-2022-12-30/>

² <https://www.goodrx.com/healthcare-access/drug-cost-and-savings/january-drug-price-hikes-2022>

³ <https://www.csrpx.org/csrpx-big-pharma-bravely-increases-prices-on-more-than-100-drugs-to-start-july-price-gouging/>

While breakthrough medications offer tremendous clinical benefits for patients, Big Pharma continues to raise prices on blockbuster drugs often without any increase to their clinical benefit for patients. A December 2022 analysis from the Institute for Clinical and Economic Review (ICER) found that unsubstantiated price hikes on seven of the 10 most popular drugs in 2021 increased overall drug spending by \$805 million in the U.S. without any increase in benefits to patients to justify the increase.⁴ ICER's 2022 analysis is consistent with its prior reviews of unsubstantiated price increases. Its 2019 analysis found price increases on seven widely used drugs in 2017 and 2018 resulted in an additional \$5.1 billion in spending without any improved clinical benefit for patients, and its 2021 analysis concluded unsubstantiated price hikes on just seven drugs resulted in a cost of \$1.67 billion to patients and the health care system.

Drug manufacturers often justify their price increases as necessary to invest in research and development for bringing new drugs to market. However, there is virtually no public data showing a link between prices and the cost of development. In fact, research published in *JAMA* in September of 2022 found “no relationship” between the price that brand name drug makers set and the amount those companies invest in R&D for those drugs, and a 2021 report from the Congressional Budget Office (CBO) found no relationship between R&D costs and the prices drug companies set on their products.

It is critical that policymakers take steps to hold drug companies accountable for the exorbitant prices they charge. Too often there is no correlation between these excessive price increases and clinical improvements. Prescription drug prices continue to be a major driver of rising health care costs, and the Governor and Legislature should take steps to protect consumers and employers from out-of-control drug costs. Approaches to ensure that prices are justified and to make health care more affordable should include:

PRICE TRANSPARENCY

Consumers, employers, state government programs, providers and health plans must price and budget many months in advance, leaving the health care delivery system vulnerable to uncertainty regarding price changes for existing drugs and the prices of new drugs. Considering the role that pharmaceutical costs have on health care spending, sensible measures should be taken requiring pharmaceutical manufacturers to explain the prices they charge for their products. This should include state reporting on how often the price of the drug has increased and the rationale for the increases, the direct costs associated with manufacturing the drug, such as R&D and materials costs, marketing and distribution spending, net profits, rebates, spending on patient assistance programs and coupons, and other important clinical details that may affect the price of the drug.

EARLY WARNING OF EXCESSIVE PRICE INCREASES – SUPPORT S.599

As drug companies raise their prices, there is little to no information or notice to justify their increases. Policymakers should adopt S.599, which would require pharmaceutical manufacturers to provide at least 60 days notice prior to raising the price of a drug by more than 10% of the wholesale acquisition cost (WAC). This should include disclosing simple and easy-to-understand information including the date of the increase, current WAC of the prescription drug, the dollar amount of the future increase, and an explanation on the need for the increase. Requiring Big Pharma to provide notice of price increases above 10% will help to protect consumers, employers and the State and enhance transparency or rising prescription drug costs.

⁴ ICER is an independent, non-partisan research organization that objectively evaluates the clinical and economic value of prescription drugs, medical tests, and other health care and health care delivery innovations. https://icer.org/wp-content/uploads/2022/04/UPI_2022_National_Report_120622.pdf