



Congress Needs to Do More to Reduce Prescription Drug Prices

Inflation Reduction Act Was a Good Start

1/16/2023

Pharmaceutical companies raised prices on more than 500 drugs in the United States in January 2024. The price increases covered products from some 140 prescription drug brands. In January 2023, pharmaceutical companies raised the price tag of more than 1,420 medications.

Overall, drugmakers have tried to keep their price hikes at 10 percent or lower after widespread criticism over big pharma cost increases in recent years.

Penalty on Drug Prices Outpacing Inflation

The Inflation Reduction Act passed in August 2022 placed a penalty on drug companies that raise prices more than inflation.

President Biden announced on December 14, 2023, a list of 48 drugs whose prices increased faster than the rate of inflation in 2023. Drugmakers will have to pay rebates to the federal government because of those price increases. The money will be used to lower the price Medicare enrollees pay on the drugs in 2024.

This is the first time drugmakers will have to pay the penalties for outpatient drug treatments under the Inflation Reduction Act. The rebates will translate into a wide range of savings - from as little as \$1 to as much as \$2,700 - on the drugs that the White House estimates are used every year by 750,000 older Americans.

The types of drugs on the government's penalty list vary. They include generic drugs, medications taken orally or injected, and treat a variety of disorders or illnesses, according to a review by the American Society of Health-System Pharmacists.

The White House reported all of the penalized drug prices were raised significantly in 2023, many by nearly 20%.

The price decreases will only be seen for patients who access the drugs on Medicare Part B, the government outpatient care coverage. But the rebates are "an important tool to discourage excessive price increases," Chiquita Brooks-LaSure, the administrator for the Centers for Medicare and Medicaid (CMS), said.

Legislation Didn't Limit Price of New Drugs

The Inflation Reduction Act did not limit what drugmakers can charge for new drugs. Some industry experts say that could leave manufacturers even more reliant on higher launch prices.

"The industry will turn to new drugs to try to use the lever that remains uncontrolled," said Daniel Ollendorf, of the Center for the Evaluation of Value and Risk in Health at Tufts Medical Center.

Prices for newly introduced drugs are soaring. The median annual price for new drugs approved by the U. S. Food and Drug Administration (FDA) increased from \$180,000 in 2021 to \$222,000 in 2022.

Medicare Part D Enrollees Have Cap on Drug Costs

As of 2024, another feature of the Inflation Reduction Act, enrollees in Medicare Part D have their prescription drug expenses capped at \$3,300. That's on top of the \$35 cap on insulin for people enrolled in Medicare and vaccine coverage that wasn't available before.

In 2025, that number of 3,300 is going to go down to \$2,000 per year. Seniors will have the option to break this into payments of \$167 per month.

Americans Continue to Pay More for Drugs

A study released by The Commonwealth Fund on January 4, 2024, reported that Americans pay approximately three to seven times more for brand-name prescription drugs than residents in Australia, Canada, France, Germany, Japan, Switzerland and the United Kingdom.

The drugs in the study were the 10 drugs that CMS will begin in February 2024 negotiating prices for to apply beginning in 2026, The 10 drugs are: Apixaban (Eliquis); Empagliflozin (Jardiance); Rivaroxaban (Xarelto); Sitagliptin (Januvia); Dapagliflozin (Farxiga); Sacubitril/valsartan (Entresto); Etanercept (Enbrel); Ibrutinib (Imbruvica); Ustekinumab (Stelara), and Insulin aspart (Fiasp, Fiasp FlexTouch, Fiasp PenFill, NovoLog, NovoLog FlexPen, NovoLog PenFill).

From June 1, 2022, to May 31, 2023, the 10 drugs chosen for price negotiations accounted for \$50.5 billion, or approximately one-fifth of total Part D-covered prescription costs. CMS will select up to 15 additional drugs for negotiation for 2027, up to 15 more for 2028 for both Part B and Part D, and up to 20 more for each subsequent year.

The NRLN has advocated that CMS negotiate prices for more than the initial 10 drugs. The NRLN has stated that **Medicare should use the business competitive bidding model** wherever two or more generic drugs, or two or more brand drugs, or a generic and brand drugs (upon patent expiration) that treat the same medical condition.

States Are Getting Involved to Lower Drug Prices

For many years the NRLN has advocated the need to lower the price of prescription drugs, including allowing the importation of safe, lower cost prescription drugs from Canada. On Friday, January 5, Florida became the first state to receive approval from the FDA for a plan to import safe and cheaper prescription medicines from Canada. Florida had submitted its application to the FDA around three years ago.

The FDA has indicated that approvals may happen for seven more states that have enacted laws permitting the importation of more affordable drug options from foreign countries, but Florida is the only one so far to gain approval from the FDA.

Florida's Agency for Health Care Administration is required to submit additional drug-specific information for the FDA's review and approval. This is to ensure the drugs Florida seeks to import have been tested for authenticity and are compliant with the specifications and standards for FDA-approved drugs and relabel the drugs to be consistent with FDA-approved labeling.

The Pharmaceutical Research and Manufacturers of America (PhRMA) called FDA's approval for Florida "reckless" and "a threat to public health," and said it is "considering all options for preventing this policy from harming patients." PhRMA hinted it might file a lawsuit to stop Florida's program.

The Monday after the FDA's Friday announcement to allow Florida to import drugs from Canada, the Canadian Government issued a warning that it stands ready to defend its prescription drug supply from U.S. importation plans. It stated that diverting medicines to the U.S. could lead to drug shortages in Canada and it was "taking all necessary action to safeguard the drug supply and ensure Canadians have access to the prescription drugs they need.

NRLN Will Continue Lobbying to Reduce Drug Prices

-- End pay-for-delay and other brand name drugmakers' tactics that obstruct generic drugs from the market.

*We support passage of **S.142, Preserve Access to Affordable Generics and Biosimilars Act**. It would prohibit brand name drug companies from compensating generic drug companies to delay the entry of a generic drug into the market, and to prohibit biological product manufacturers from compensating biosimilar and interchangeable companies to delay the entry of biosimilar products.*

-- Restrict the power of Pharmacy Benefit Managers (PBMs) to control the price of medicines.

*We support passage of **S.127, Pharmacy Benefit Manager Transparency Act**. It would hold PBMs accountable for often deceptive practices that contribute to high drug prices for consumers.*

-- Minimize drug shortages in the U.S.

*We support passage of **S.2510, Rolling Active Pharmaceutical Ingredient and Drug (RAPID) Reserve Act**. It would require the HHS to award contracts to quality generic drug manufacturers in the U.S. or a member of the Organization for Economic Cooperation and Development (OECD) to build and maintain reserves of critical drugs.*