

## **MEDICATIONS: THE BAD NEWS**

**By David Belk MD**

The cost of medications isn't always inflated at the pharmacy. Even though more than eighty percent of prescriptions written in the U.S. are for generic medications, there are still many diseases for which no inexpensive treatments exist. If a pharmaceutical company still has a patent on a medicine, it can (and will) charge whatever it wants. And the pharmaceutical companies will often find ways to get new patents on old medications. They might change the dose of a medication slightly or the delivery system for an inhaler, then apply for a whole new patent. Then, when a medication first loses its patent the price only drops slightly because, for six months after a patent expires, one company gets exclusive rights to the generic version and they can charge almost as much as the name-brand version.

Pharmaceutical companies can get around even needing a patent by getting the FDA to grant them "exclusivity" on a medication. Exclusivity means that a single pharmaceutical company has the privilege of being the only company that's allowed to sell a certain drug or preparation of a drug even if that drug no longer has an active patent. For example, a pharmaceutical company can get the exclusive right to sell even a very old medication simply by finding a new indication for using that medication.

Also, generic drug makers aren't above playing games with the prices of their products. A few years ago, the prices of several hundred generic medications skyrocketed suddenly, randomly and without any warning due to an alleged collusion racket between some generic pharmaceutical companies. These price hikes stopped after the collusion was uncovered but, if you do buy your medications directly without using insurance, it's always a good idea to check the price first before purchasing them. There are often many alternative medications that will have exactly the same effect so, if the drug you normally take suddenly jumps from 10¢ to \$2 a pill, ask your doctor if he can prescribe something else.

### **Pharmacy Benefit Managers**

Pharmacy benefit managers play a major role in prescription drug purchases in the U.S. yet, very few people know of their existence let alone what they do.

Pharmacy benefit managers (PBMs) were created in the late eighties to help insurance companies select cost effective medications for their formularies. At that time, the majority of prescriptions filled in the U.S. were for expensive brand name medications so PBMs could be helpful in reducing the overall cost of these drugs.

Now, nearly all prescriptions filled in the U.S. are for inexpensive generic medications. One of the reasons most people are unaware of how inexpensive generic medication are is that PBMs

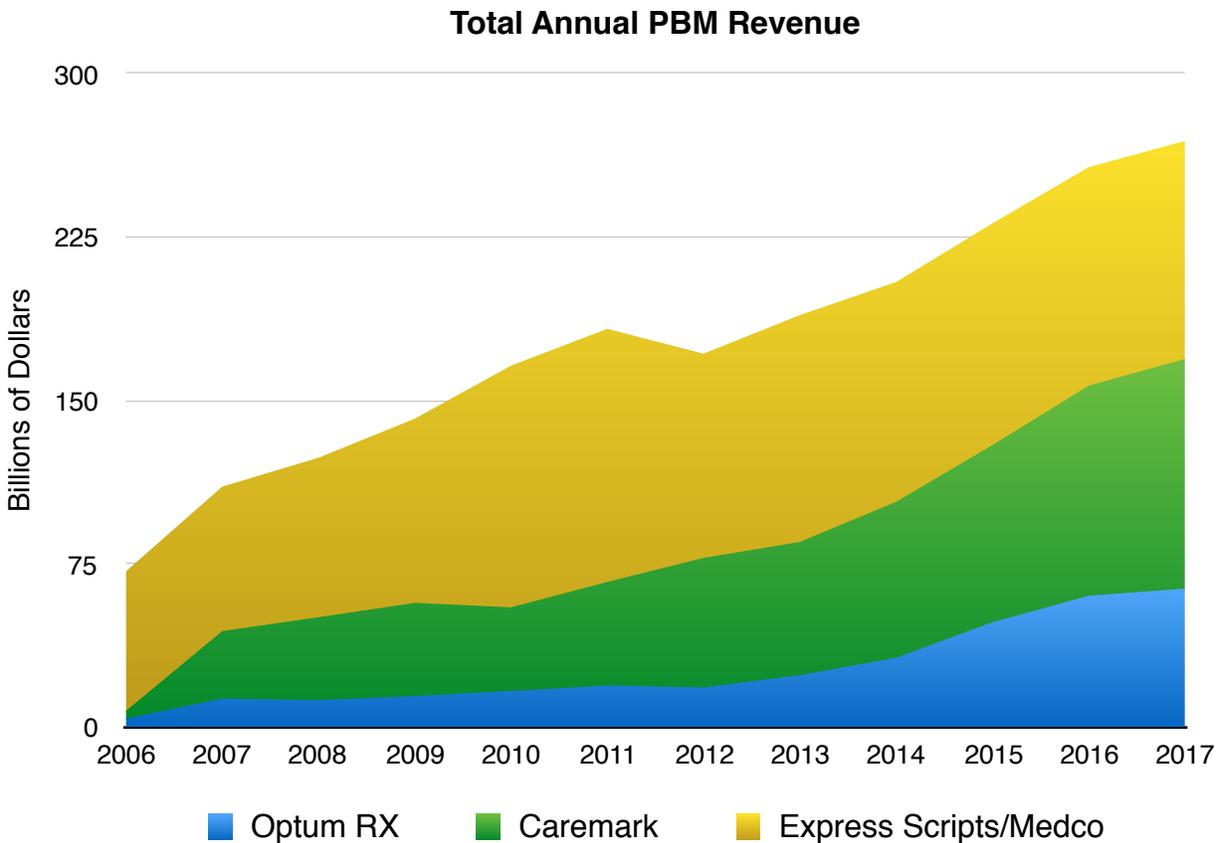
force pharmacies to sign gag orders that forbid them from discussing the actual prices of the prescription medications they sell. If a pharmacy violates their gag order, the PBM can retaliate by cutting off all coverage to that pharmacy for their contracted members. Since most pharmacies can't afford to lose that much business, they are forced to comply with these gag orders.

It's the PBMs who determine the copays people pay for their medications, but the PBMs themselves usually pay nothing for these medications since generic medications cost so little. What's more, PBMs often split your copay with the pharmacy so, instead of helping you purchase your generic prescription medication, PBMs actually raise your out-of-pocket cost for these medications in order to get a kickback from your pharmacy.

To make matters worse, PBMs also get tens of billions of dollars each year in rebates from pharmaceutical companies to help them "select" which brand name medications to put on their formularies. So, instead of selecting the most cost effective medications, PBMs are encouraged to select medications that yield higher rebates, which usually means selecting more expensive medications. PBMs get away with all of this mostly because very few people know anything about them.

They do provide mail order prescription services so that people don't have to go to a pharmacy to pick up their medications, but that appears to be their only benefit.

Examples of pharmacy benefit managers are Express Scripts, Caremark and Optum Rx (see next page).



**Figure 1:** Total revenue for the three largest pharmacy benefit managers in the US has more than tripled in the last decade.

### Free Samples

You’ve heard that nothing in life is free. Pharmaceutical companies would not provide free samples if they didn’t know that it brought them more money in the long run. Of course, this ends up costing you more (either directly or through your insurance premiums). The purpose of free samples is to make it far too easy for physicians to pass them out rather than considering inexpensive alternatives that will do exactly the same thing. Remember, most doctors have no idea what most medications cost, so they won’t think to consider cost when prescribing. Does this mean they are giving you the best possible medication for your condition independent of cost? Not necessarily. The newest drug will often be the most expensive, but it’s not necessarily better. It might not even be as good. It’s just that it’s too convenient to hand you a box of pills from a shelf overflowing with free samples and if there is no consideration of cost, convenience wins. Physicians have really busy days.

### The Sky is the Limit

Early in 2014, the pharmaceutical company Gilead Sciences debuted a new drug to treat hepatitis c called Sovaldi (sofosbuvir). Sovaldi was a rather unique medication but, not because it was the

first medication to cure hepatitis c (it wasn't). What was unique about Sovaldi was its price. At nearly \$1,000 a pill, Sovaldi was easily the most expensive prescription medication ever. That wasn't enough for Gilead Sciences though. Several months later they announced they'd be releasing a new and better treatment for hepatitis c called Harvoni (which is Sovaldi combined with another drug called ledipasvir). Harvoni costs \$1,125 a pill.

Those requiring Sovaldi or Harvoni to treat their hepatitis c will need to take one pill a day for 12 weeks or 84 pills total. That's \$84,000 for a course of Sovaldi and \$94,500 for a course of Harvoni. As I said before, Sovaldi and Harvoni aren't the first medications that have cured hepatitis c. They're considered superior to the other medications that treat hepatitis c partly because they're reported to have fewer side effects than the other medications.

There are many other medications available that aren't quite as expensive as Sovaldi or Harvoni but still rival the cost of many luxury cars. There are more than 100 medications that cost at least \$50 a dose. Some of them are life saving remedies that are used to treat certain cancers and other potentially fatal diseases like HIV. One example is Truvada, which needs to be taken every day to prevent getting HIV. Truvada costs about \$55 a pill. Revlimid is even more expensive. Revlimid is used to to treat a cancer called multiple myeloma and costs about \$680 a capsule.

Fortunately, most of the medical conditions requiring such expensive treatments are uncommon. But if you are unlucky enough to have such a condition, you better have good insurance that will cover most of the cost of your medications. If not, it really is a case of "your money or your life." And why do the pharmaceutical companies put such an unbelievably high price on their life saving medications? Because they can; nothing more.

Getting an insurance company to pay for an expensive brand named medicine (or anything else) is no easy feat. You would think, then, that insurance companies might be motivated to expose these insanely high prices in order to reduce their costs. But they won't and here is why: It is never to your advantage to have a third party pay for anything that you could easily afford yourself. Insurance companies know this. But they make a lot of money by getting people to believe that they will "cover" medications that, in reality, cost them nothing. They know that by keeping people in the dark about how inexpensive generic medications are and, at the same time, encouraging the prices of brand name medications to remain unaffordable, people will be frightened enough to buy expensive plans that cover ALL medications. Now you know that the majority of medications they cover cost them nothing, but that is a detail they would rather not discuss.

Insurance is necessary to cover any cost that people would have too much trouble covering themselves. Medical costs are among the most common reasons for bankruptcy in this country which underscores the need for health insurance. Knowing exactly how much insurance you actually need could save you thousands of dollars and that would decrease the insurance company's revenue by just as much. So the more confusing they make the system, the more they profit.

## What You Can Do

(1) Never be afraid to ask your doctor how much anything he prescribes you costs. He probably won't know but he can find out and, if enough people ask, he (or she) is likely to consider it more with each future prescription.

(2) Beware of free samples. These medications are VERY expensive. If you ever have to pay cash for one, it will cost you far more to buy one month's supply than a whole year's worth of another medication. Even the copay is likely to be many times the price of a generic alternative.

(3) Whenever you see a pharmaceutical representative at a doctor's office you should consider two things: They are there to take time that the doctor could be spending with patients and their sole purpose is to drive up medical cost. Doctors have plenty of ways to learn about new medications. The attractive blonde from the pharmaceutical company is not there to teach, she's there to sell and you're the one who's going to pay.

(4) Remember, you are no more obligated to use your insurance to buy your medications than to drive everywhere just because you own a car. It's a free country; walk if you like, and pay cash anytime you like. Your insurance might not like this but it's your money.

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