

Prescription Drug Prices: Politicians Are All Talk, No Action

On July 26, 2020, US President Donald Trump signed an executive order under which the US government's Medicare Part D program would have negotiated lower prescription drug prices based on an "International Price Index."

Implementation of the order was delayed pending counter-proposals from Big Pharma, but the Democratic response was swift. "Instead of meaningfully lowering drug prices, President Trump's Executive Orders would hand billions of dollars to Big Pharma," House Speaker Nancy Pelosi (D-CA) complained, without explaining why or how.

On September 9, the US Department of Health and Human Services released the Biden administration's "Comprehensive Plan for Addressing High Drug Prices."

Here's the problem the report identifies: "Patients in other comparable countries regularly pay substantially less for prescription drugs than Americans."

Here's the report's solution: "Allowing the Secretary of HHS to negotiate Medicare prices will achieve fair prices for beneficiaries when markets fail to do so. Allowing commercial payers, including employer and Marketplace plans, to access those prices will extend savings to additional consumers."

Sound familiar? It should. It's essentially Trump's plan.

It's also Pelosi's plan, as expressed in the Elijah E. Cummings Lower Drug Costs Now Act, which would allow HHS to negotiate drug prices and limit what it could offer to 120% of the average price paid by other wealthy western countries.

Just to be clear, if the American political establishment was really interested in lowering drug prices, it would eliminate prescription coverage under Medicare (and if it was really interested in lowering healthcare costs in general, it would eliminate Medicare).

Neither of those things being "on the table," so to speak, having Medicare drive a harder bargain when paying for prescription drugs just makes sense — not because, as the HHS report pretends, Medicare is distinct from "the market," but because Medicare is a substantial player IN the market.

Medicare Part D isn't a monopsony (that is, a single buyer, just as a monopoly is a single seller), but it is the biggest single buyer of prescription drugs in the US healthcare market. It's well-positioned to demand a quantity discount, or at least a reasonable price. And it should. Overpaying for prescription drugs is healthcare's version of paying "defense"

contractors \$800 for toilet seats.

Why do Republicans and Democrats both talk a lot about controlling Medicare spending on drugs, but never actually get the job done?

That's no mystery: Big Pharma makes bigger campaign donations and hires more lobbyists than you do.