Increase in Demand Would Offset Drug Price Decreases, Study Says

Lower pharmaceutical prices would raise demand for drugs, which could help significantly offset the decrease in price, according to a report released July 27.

The report recommended a combination of discounts and rebates to revamp prescription drug financing.

The study by Alan Sager, a health care economist at the Boston University School of Public Health, estimated that a drop of 10 percent in drug prices would raise demand some 3.3 percent. The report was released at a meeting of the House Prescription Drug Task Force.

Pharmaceutical manufacturer representatives have claimed that price controls would threaten profitability and investment capital and thereby squelch innovation.

Rep. Tom Allen (D-Maine), a cochairman of the task force, called the figures a new addition to the drug coverage debate.

"Lower U.S. prices need not mean lower revenue and profit for drug makers if they cut costs, boost volume, or raise prices in other wealthy nations," according to the report, Affordable Medications for Americans: Problem, Causes, and Solutions.

Rebates

Further, the study said, modest rebates extracted from manufacturers could be "recycled" to provide drugs for those people who would not be helped sufficiently by lower prices alone. Such a rebate plan recognizes the low marginal cost of manufacturing additional pills and the already ample revenues of drug makers, according to the report.

"The challenge, therefore, is to blend the two approaches—discounts and rebates—to secure needed drugs without spending money unnecessarily—and without disrupting the flows of revenues or profits that manufacturers need to finance needed research," the report said.

U.S. policy, the study said, should aim to assure that all Americans can afford needed prescription drugs without increasing public or private spending while maintaining adequate profits so that the industry can develop new drugs.

Roughly 70 million Americans of all ages, about one in four, have no prescription drug coverage, the study said.

"U.S. prescription drug prices are high mainly because our government fails to protect us against drug companies as other governments protect their citizens," the report said. Further, it said, for decades drug manufacturers have charged Americans more for the same pill than they charge in any other country, making the United States "the world's shock absorber."
Some states such as Minnesota, Massachusetts, and Vermont have begun to establish themselves as the negotiators to bargain with manufacturers over prices for patients served by public institutions and programs, the study said. ©