WASHINGTON, DC, United States (UPI) -- A new report shows dramatic increases in the prices of brand-name drugs, but experts disagree about the data itself and the policy prescriptions needed to address the problem.

Prices for brand-name prescription drugs increased by 6 percent in 2005, nearly twice as much as inflation at 3.4 percent, according to a report released this week by the American Association of Retired Persons (AARP).

In contrast, over the same period, the price of generic drugs stayed almost the same, according to the study.

"Consumers are paying a lot more for brand-name drugs," AARP policy director John Rother told United Press International. "These price increases really add up. It's a substantial hit on people's economic security."

According to the report, which uses a data set of 193 brand-name drugs to track price changes, brand-name drug prices have increased 40 percent on average over the last six years, compared to inflation of 17 percent.

That means that for the typical older American who takes four drugs, the annual cost of therapy rose almost $1,200 between 1999 and 2005, Rother said.

Although the difference between growth in drug prices and inflation was smaller than in past years -- when drug price growth was triple that of inflation -- the difference still represents a substantial price increase, he said, especially for seniors on fixed incomes and the uninsured.

But the Pharmaceutical Research and Manufacturers of America (PhRMA) said retail drug prices only grew by 3.9 percent last year -- roughly equal to inflation -- according to federal publicly-reported inflation data. What's more, the report fails to take into account rebates and discounts available to seniors through the Medicare Part D prescription drug benefit, the group said.

"Instead of looking for new ways to help seniors, AARP unfortunately is spending its time looking for new ways to use old, discredited arguments," said Ken Johnson, senior vice president of communications and public affairs. "Their fuzzy math and overblown rhetoric have worn thin. The U.S. government's publicly available consumer price data clearly show that inflation of prescription drug prices was in line with overall medical care cost inflation for the past several years."

Also, the report, which uses data on wholesale prices, doesn't take into account what consumers actually experience when they buy their drugs, said Joseph Antos, health policy analyst at the American Enterprise Institute.

"Their statistics do not account for what people actually do when they get their prescriptions filled," he told UPI. "Most people have insurance, most people go for generics because they know they're cheaper, and many people forego the excruciating pleasure of going to their local pharmacy and save money by buying their drugs mail order.

"The report is aimed at a small group of people without health insurance paying something like the list price," Antos said.

While the AARP report shows the price of brand name drugs drastically increasing, the prices of generic drugs, which cost much less than their brand-name counterparts, remained essentially flat.

"Generic medicines are improving lives for less, and this AARP study confirms that fact," said Kathleen Jaeger, President and CEO of the Generic Pharmaceutical Association. "With costs that can be up to 80 percent less than brands, generics remain an outstanding value for consumers and public and private health care purchasers."

Although no one wants to reduce drug company innovation, AARP's Rother said, the price increases are probably caused more by marketing costs than research and development.

On an individual level, seniors and all patients can reduce the impact of the increase by going to their doctor and asking if generic versions of any of their prescriptions are available, he said. On a policy level, the federal government can help make drugs affordable by directly negotiating drug prices, allowing the importation of drugs from overseas and adding staff to the Food and Drug Administration to speed up processing of applications for new generic medications.

The structure of the international drug market is also a cause of high drug prices, Alan Sager, director of the Boston University Health Reform Program, told UPI.

"The (United States) provides drug makers with almost half of their worldwide revenue," he said. "Our prices are about 80 percent above those in other wealthy countries."
"We're the path of least resistance for them. Other countries regulate, we don't. They raise prices here to finance their operations around the world."

The fact that manufacturers rely on U.S. markets for such a large slice of their profits means both that drugs are increasingly unaffordable and that manufacturers are conservative when undertaking new research projects, Sager said. "Americans now get far too little in the way of affordable medicines or innovative research."

The best solution to the problem, he said, would be to lower drug prices by guaranteeing drug companies higher volume of sales. Drug companies could then sell drugs at lower prices, but earn the same level of profits needed to fuel innovation.

In lieu of that, states which are now 'handcuffed' could be authorized by Congress to negotiate drug prices, resulting in substantially lower prices, he said. The federal government should also allow the importation of drugs from countries that can export them safely.

The bottom line, said AARP's Rother, is that drug companies should be held accountable for the prices they charge consumers.

"After all, they are given patent protection from the federal government that temporarily gives them a monopoly," he said. "They do have some responsibility."

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