Soaring drug prices: Innovation or greed?

By Nell Smith
STAFF WRITER
Aurora (IL) Beacon News
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Standing at the pharmacy counter, it's easy to blame a health-care system that doesn't cover major expenses like prescriptions, but Medicare might not be the only one shortchanging seniors.

Drug prices are increasing almost two and a half times as fast as the Consumer Price Index, and pharmaceutical manufacturers, making up the nation's most-profitable industry, are reaping the rewards.

'We are not the culprit,' says Jeff Trehwitt, spokesperson for the Pharmaceutical Research and Manufacturers of America.

Trehwitt says the high prices reflect the value of innovation. Last year alone, he says, drug companies spent $24 billion collectively on research and development.

Developing drugs is an expensive, risky endeavor, Trehwitt argues, because many drugs under development never make it through FDA's testing process. Those that fall short never recoup their cost to the companies.

Drug prices, he adds, are calculated to make up that loss.

However, Alan Sager, co-director of Boston University's Access and Affordability Monitoring Project, says research and development simply doesn't justify the high prices.

Much of that sticker price goes to marketing the product, says Sager, who has studied the drug industry for seven years.

In 1998, he says, drugmakers spent $8.3 billion on advertising. They spent $7 billion of that marketing to doctors and other health professionals.

Physicians say drug representatives treat them to dinners and professional sports games, hoping they'll prescribe their pills.

Trehwitt argues that marketing is a necessary component of a "very spirited, competitive business." The sales people are providing doctors with important product information, he says, and "if you are a truly good doctor, you will push aside the advertising and go straight to the information."

Sager doesn't buy it. He believes drug companies have jacked up prices because they have the power to do it.

"You could paraphrase that to say, 'Pay our prices, or we'll kill you,'" he said.

Indeed, Americans pay the highest prices in the world for medicine, though a significant amount of pharmaceuticals are made right here.

In Mexico, some drugs cost less than a third of what they cost in this country, and American seniors pay more than double the Canadian prices.

Even the price for certain animal medication is less than America's seniors pay for the exact same drugs.

While Trehwitt argues that more-stringent FDA regulations account for the difference, Sager calls that "nonsense." The dosage is different, he says, but the pills are the same. What's more, he adds, drug companies don't set the price based on the cost of doing research.

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