**Why are Prescription Drug Prices so high in the United States?**

**1. Introduction**

Prescription drugs are essential and critical drugs, and the life and well being of patients depends on these drugs. When the prices of these drugs are increased, many poor people with serious medical conditions cannot afford to buy the drugs. In addition, insurance firms are forced to pay for these expensive drugs, increasing the premium cost to patients. If insurance firms deny payment for certain medications, then the patient has to bear the costs, and many cannot afford the higher costs. The problem of high prices impacts senior citizens more (Collins and McCaskill, 2016). Pharmaceutical firms, zealously guard the manufacture and sales of these drugs. Patents protect these drugs for up to 20 years, during which time; the firm is at liberty to raise the prices to any level (Shipley, 2018). However, a number of other reasons are evident that cause the prices to escalate. This paper examines the reasons for the high cost of prescription drugs.

**2. Prescription Drug Prices in the United States**

A report by Bloomberg indicates that drugs sold in US are priced many times higher than the same drug sold in other countries. As an example, the drug Creator for cholesterol problems, costs $90 in US, while in Canada, it costs $32. Similarly, cost difference of the drug Lantus is $180 in US and $67 in Canada, similarly, Advair costs $154 in US and $74 in Canada. Cost of these drugs in other nations such as Germany and France is much lesser. Another aspect is the discount given to medicine distributors and retailers. Crestor is sold with 69% discount, Lantus with 59%, Advair with 60%. Therefore the end cost to the patient will be much higher, since the retailers have their profit margin. Any increase in costs is passed to the patient, who is forced to consume the expensive drugs (Langreth, Migliozzi and  Gokhale et al., 2015).

**3. Reason for high cost of prescription drugs**

A number of reasons are attributed to the high prices, and there are allegations with name calling, and pharma firms labeled as conmen, price fixers, etc. The truth of the issues is somewhat different. A pharmaceutical firm such as Pfizer spent more than $1.7 billion on Viagra. Accordingly they charged a high price of $69.70 per tablet, and the reasoning was that the firm had invested a high amount, underwent a lot of delays and faced other overheads; hence, it felt justified in charging this high price. In the US, the FDA allows pharmaceutical to charge any amount for certain prescription drug. In addition, firms that develop new drugs are given a patent for 20-years, to safe guard the drug from being copied by other players. The government does this to encourage innovation and development. Therefore, pharmaceutical firms enjoy a monopoly for 20 years, since the drugs cannot be copied, and they charge any amount (Lupkin, 2016).

There are counter allegations about the actual costs of R&D investment by pharmaceutical firms. Report shows that pharma firms are the most profitable ventures and firms such as Amgen consistently make profits of more than 42%m while Ford makes 2%. It also appears that these firms spend more money on marketing and in networking than on R&D, and the spending on marketing in 2016 was $6.14 billion. The net result is that prescription drugs become very expensive and unaffordable to many people. In 2017, the cost of prescription drugs rose to $450 billion, thus making Medi care, one of the most expensive ventures. When the cost of these drugs is added to the high hospital costs, it is impossible to be treated without full cover insurance (Bose, 2017).

Another reason for the high cost is the discounts paid by pharma firms to insurance firms, hospitals, doctors for prescribing the drug, and other members in the supply chain. As mentioned in section 2, pharma firms give discount of 60% or more. In the famous Pharma bro case, the CEO of Turing Pharmaceuticals, Martin Shkreli increased the price of a parasite treatment drug by 5000%.  The high price caused outrage and the CEO was brought before a jury to face trail. In another case, EpiPen used to treat children in emergencies, which cost $93.88 for two injections in 2007 was sold at $608.61 in 2016. Charges were brought against the firm for price gouging, a charge indicating high pricing of essential items. The firm counter argued saying that it collected less than half the list price, while the balance was consumed by different elements in the supply chain. Another culprit appears to be insurance firms, which negotiate a lower price and ask for discounts from the firm for bulk buying or clearance of the bill. It appears that these middlemen would still ask for 50% discount even if the price of EpiPen was kept at $93.88. Therefore, the greed of the middlemen and the supply chain are also responsible for the high prices of prescription drugs (Ramsey, 2018).

In some cases, the FDA is to be blamed since they take a lot of time to approve generic drugs that cost much less. Some patent holding firms, create new patents by changing the color or giving the medicines new coating with extra medicines. Rival firms then file a suit against the false patent and the case goes to court, with appeals and counter appeals that last for a few years. Even if the FDA decides against the patent holder, the firm will have a few more years to generate revenue, while the rivals remain helpless (OECD, 2018).

**4. Solutions to control the prices**

Solutions are urgently needed to solve the problem of high costs. It takes 10 years or more to develop a drug, and a major part of the time is the delay by FDA. However, the FDA needs sufficient time to certify a drug, and the process should not be shortened without due care. Insurers such as Medicare need to negotiate with pharma firms for prescription drugs given to their patents. While this will bring down the cost of Medicare bulls and costs, people who are not covered will see even higher costs. The patent rule that grants monopoly for 20 years should not diluted, else, pharma and other firms will not have the motivation to invest in new drug development. FDA should allow the import of generic drugs that are equivalent to the prescription drugs. Only approved and tested medicines should be allowed, under the condition that retailers do not indiscriminately raise the prices. However, the fact remains that the main culprits are the supply chains which markup the price by 50%. FDA should place restrictions on the markup that these middlemen can charge. Each medicine can be given a maximum retail price, set by the FDA and the drug manufacturer.. The supply chain should not be allowed to take more than a defined commission. This can help to reduce the prices. In any case, self regulation and a realization that hiking the prices beyond a certain level is not sustainable, should be felt by the pharma industry. Certain aspects of humanitarian need should be addressed by the industry and it should not be driven by only profits (AARP, 2017).

**4. Conclusions**

The paper examined the reasons for the high price of prescription drugs, Research shows that in USA, the price is several times higher than in other countries such as Canada and Germany. This high price appears to be a market manipulation and fixing by drug firms and the supply chain members, Drug forms mentioned reasons such as the high investment and development costs in releasing a new drug, and the commissions paid to the supply chain members. Other reasons are a lack of legislation by FDA to cap the price of new drugs and allowing forms to hold patents for 20 years with a monopoly. These practices have forced US prices to increase exponentially. All the while, the patient and Medicare suffer under the high cost burden imposed by prescription drugs. Some solutions were recommended to bring the prices under control. The FDA needs to reduce the approval time for new medicines, imports of suitable generic medicines can be considered along with a cap to limit their selling prices. However, it is important to make the pharma sector to realize that they should not profit unduly from the misery and poverty of patients.

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