



Weekly Checkup

The Price Is Right

JACKSON HAMMOND | FEBRUARY 9, 2024

Yesterday, the Senate Health, Education, Labor, and Pensions (HELP) Committee hosted a hearing entitled “Why Does the United States Pay, by Far, the Highest Prices in the World for Prescription Drugs?” The title gives away the hearing’s apparent purpose: to haul up drug manufacturing CEOs and berate them for high drug prices. **Let’s provide some context on the real cost of drugs and discuss how the United States compares with a single-payer country on patient access and outcomes.**

First, let’s talk about the prices. **We’ve [covered this before](#) at the American Action Forum, but it bears repeating: List prices are *not* the prices the vast majority of people *actually* pay, and net prices have been *declining for years*.** As Adam Fein of the Drug Channels Institute has [pointed out](#), **in 2023 branded drug net prices fell for the sixth year in a row, decreasing by 3 percent prior to accounting for inflation, and decreasing 7.4 percent after accounting for inflation.** List prices for branded drugs have increased by 5.4 percent (a rate of increase that is far lower than the 10-percent-or-more increases prior to 2016), but again: List prices are *not* the price people pay. While patient co-pays are usually a percentage of the list price, that is a decision made by the insurance plan, not the pharmaceutical manufacturer. It should also be noted [that 90 percent of prescriptions](#) in the United States are for generic drugs, meaning the vast majority of people are not paying for expensive branded drugs. **An accurate picture of drug pricing must focus on net prices - the prices after all rebates, discounts, and any other price reductions.**

In contrast, let’s look at how the United Kingdom’s (UK) National Health Service (NHS) pays for drugs (our Director of Health Policy, Laura Hobbs, has an [in-depth insight](#) on this subject). The NHS controls costs by limiting the drugs it covers, the number of approved indications it will cover for that drug, and prices themselves. The NHS generally only covers drugs that provide a cost-benefit of £20,000 per [quality-adjusted life year](#) (QALY), meaning

they assign value to each additional year of life provided by a drug compared to a baseline of “perfect health.” The inherent limitations of NHS’ pricing schemes and cost-effectiveness measurements have had a particularly large effect on cancer medications in the UK. **Due to the high cost of these medicines (and subsequently the QALY calculations), the UK has had to create a separate fund for cancer drugs entirely. It is a functional admission by the NHS that its main system does not provide an adequate supply of treatments for serious diseases.**

So how do the United States and UK compare in terms of patient access and outcomes? IQVIA data show that, from 2012 to the end of 2021, the United States saw 85 percent of new medicines launch in its market, while in the UK it was 59 percent. Seventy-eight percent of new medicines launched in the United States within their first year on the market, while only 38 percent of new medicines in the UK did so. The United States saw an average delay of four months for new medicines to launch, while the UK saw an average delay of 12 months. **For new cancer drugs created between 2012-2021, the United States saw 94 percent of them launch and 100 percent of new rare disease drugs launch, compared to the 46 percent and 41 percent averages, respectively, for the G20.** New cancer and rare disease medicines in the United States launch faster as well, between 0-3 months versus 12-15 months in the UK. A [study](#) by the Organisation for Economic Co-operation and Development (OECD) found that the cancer mortality rates in the United States for 2021 were 182 per 100,000 people, versus a rate of 222 per 100,000 people in the UK. **Notably, the United States has lower cancer mortality rates even though it has significantly higher rates of obesity and significantly lower rates of physical activity than the UK,** according to the OECD study.

The HELP Committee hearing featured a lot of focus by the left on list prices for branded drugs, but that focus obfuscates the reality of decreasing branded drug net prices in the United States. It also ignores the benefits Americans received, such as faster access to the latest therapies and lower cancer mortality rates. **In considering potential changes to drug pricing policy, let’s hope Congress will view the full picture, and not just the headline-grabber of list prices.**