



The Daily Dish

# Drug Prices

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You could easily be under the impression that there has been enough talk about drug prices. Pharmaceuticals became a political football in the 2016 election, suffered a few rounds as an administrative punching bag in the Trump Administration, and endured the legislative scrimmage that yielded the Inflation Reduction Act. Yet the talk has only begun, as it is clear that President Biden intends to campaign for re-election on the basis of his “success” in combatting the plague of high drug costs.

But what is the evidence of that success? Indeed, what is the exact state of play on the level and growth of drug prices? Certainly, it pays to be attentive to the data and careful in one’s characterizations of the situation. Nearly five years ago, in the midst of an earlier frenzy on the topic, a [wise man](#) concluded his presentation to the Senate Finance Committee with: “Fundamentally, there is no broad prescription-drug pricing crisis. Indeed, in most instances, things are working just fine. Rather what we face are more nuanced challenges. For example, the price of specialty drugs and biologics, which are expensive to develop and manufacture and frequently treat a limited population. In these instances, particularly with oncology drugs, it is important to make sure that the cost of the treatments correlates to the value. Remember that the goal is not low cost, it is high value. It is easy to have low-cost drugs; they, however, may not do much good. Conversely, it might make sense to spend more for a drug if its therapeutic benefits are high enough.”

In that spirit, Eakinomics and the AAF health team set out to get data on recent drug-price trends. This turned out to be harder than one might anticipate – the most accurate data are in proprietary databases. But there was a recent [report](#) out of the Health Policy Office of the Assistant Secretary for Planning and Evaluation (ASPE) at the Department of Health and Human Services. Helpfully entitled “Changes in the List Prices of Prescription Drugs, 2017-2023,” it provided data on the Wholesale Acquisition Cost (WAC) over time.

The key data are summarized in the table below, showing the average dollar change – e.g., \$589.68 in 2022–2023 – over time in the top panel and the average percentage change in the bottom panel. But the ASPE folks did something weird. They looked at the average increase for those drugs whose price increased, thereby ignoring the impact of drugs whose price did not change, or even fell. As it turns out, a quarter or more of the drugs fell into this category (see the third column). Ignoring a quarter of the market seems analytically bizarre and is guaranteed to bias upward the estimated changes. (This is not due to adherence to some ASPE tradition, as a look at [previous](#) studies shows.)

To get a feel for the impact, simply assume that every drug that does not increase in price simply remains unchanged. This, then, represents the upper bound of the inflation in these list prices. This allows one to compute the “Adjusted ASPE” average in the final column as an upper bound of the drug price inflation.

Trends in Wholesale Acquisition Costs (WAC)			
	ASPE	Percent Zero or Less	Adjusted ASPE

Average WAC Price (dollars)			
2017-18	\$160.23	26.8%	\$117.36
2018-19	\$140.54	26.9%	\$102.73
2019-20	\$175.40	25.6%	\$130.54
2020-21	\$130.13	29.7%	\$91.46
2021-22	\$171.50	33.6%	\$113.83
2022-23	\$589.68	27.3%	\$428.86
Average WAC Price (percent)			
2017-18	20.10%	26.8%	14.7%
2018-19	25.60%	26.9%	18.7%
2019-20	26.00%	25.6%	19.4%
2020-21	12.10%	29.7%	8.5%
2021-22	11.50%	33.6%	7.6%
2022-23	15.20%	27.3%	11.1%

Here's the rub: It is far from obvious what ASPE gains from cherry-picking the data. Especially in percentage terms, drug price inflation was higher prior to the arrival of President Biden in 2021, but not uniformly falling. Yet this pattern is true in the original and the adjusted estimates. Now, it might be the case that there are a lot of negative and sizeable changes, but one would need the original data to know for sure.

In any event, the higher numbers might constitute a greater call for action and the lower ones a sign of policy success. But the data are murky enough that none of this looks like a clear political winner. There will be more to come on this issue, to be sure.

A final footnote is that list prices (WAC) are far from the only measure of prices. They are important for the computation of copays, but prices net of rebates ("net prices") are a measure of what the pharmaceutical industry is actually receiving per dose. In his [summary](#) of drug price changes, Adam Fein concludes that net price inflation has been negative.

Clearly, the facts remain as they did in 2019. One size does not fit all in the drug pricing debate: There is not a uniform “problem,” there has been no uniform policy “success,” and any political messaging that suggests either is fundamentally misleading.