



Weekly Checkup

A Better Pill: An Outlook for Drug Pricing in 2024?

LAURA HOBBS | DECEMBER 22, 2023

In 2023, Washington remained hyper-focused on reducing the cost of prescription drugs, as the Biden Administration [issued](#) a variety of pharmaceutical reforms, including those mandated by the Inflation Reduction Act, while numerous committees in Congress held [hearings](#) on pharmacy benefit managers (PBMs). Yet neither the administration nor Congress addressed one central cause of high drug prices, perverse regulatory incentives. While it is easy to blame the pharmaceutical industry or PBMs for high drug prices – and no doubt all players in the industry deserve some scrutiny – **policymakers continuing to merely tinker with the regulatory framework that governs the prescription drug market will not yield their desired results, and in fact, may make the problem worse.** Instead, Washington would be wise to shift its focus in 2024 to one of the key drivers of high drug costs: the 340B Drug Pricing Program. **Let's dive into the regulatory framework surrounding the prescription drug market and why it is compounding drug pricing challenges.**

Biden Administration Initiatives: The administration has set new drug pricing regulations, as mandated in the [Inflation Reduction Act](#), proposed significant reforms to [drug rebates](#) in Medicaid, and announced a [march-in initiative](#) that could drastically reduce public-private partnerships in the health care sector. **Yet each of these changes simply reinforces the erroneous ideas that implementing drug price controls, mandating additional rebates, or threatening to confiscate a patent will reduce drug costs and increase patient access.** These [reforms](#) are likely to only reinforce a perverse regulatory structure while disincentivizing private investment in innovative medicines.

340B Program: The 340B Program is a hospital subsidy generated by insurance and patient payments for drugs at a higher price than the amount a covered entity, such as a hospital, paid to purchase and dispense the drug. Currently, [Medicare Part D is the second largest payer of the 340B Program](#). Following recent litigation, 340B is expected to surpass [Medicare Part D as the largest federal prescription drug program](#). **Policymakers should consider if precious Medicare dollars should be used to further subsidize hospitals, especially since 13.4 million Part D beneficiaries receive premium and cost-sharing assistance through the low-income subsidy.** (Note: Medicaid patients cannot be captured under the 340B Program by statute, as Medicaid receives rebates from drug manufacturers through the [Medicaid Drug Rebate Program](#).)

In 2024, prescription drug costs will remain a top policy priority for the administration and Congress. It would be wise for them to consider how existing policies, such as the 340B Program, can produce perverse incentives within the prescription drug market. As an optimist, this author is hopeful that conversations around prescription drug costs will move beyond the simple price of a drug to focus more on how to ensure that federal dollars are being used effectively to lower prescription drug costs and incentivize new innovations and medicines.