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Middlemen are driving up the cost of life-saving drugs

History will record 2017 as a transformative year in medicine. The U.S. [approved the first gene therapy that modifies a patient's blood cells to help](#) the immune system attack an aggressive form of leukemia in children and young adults.

Another breakthrough gene therapy was approved for a common form of lymphoma in adults, and the green light was given for a therapy that for the first time targets a specific genetic mutation.

Every day the dedicated men and women of the biotech industry are helping to heal the world, improving the lives of patients who once had little hope of getting better. No other sector of American health care can lay claim to the tremendous medical breakthroughs we're witnessing.

Also last year, we learned the trend in drug costs is slowing down. The Centers for Medicare & Medicaid Services [announced](#) that spending on retail drugs increased by 1.3 percent in 2016. The Altarum Institute — a health research organization — [reports](#) that drug list prices rose just 1 percent over the last year (and that's before factoring in substantial manufacturer discounts). Pharmacy benefits managers or PBMs — middlemen who work for insurance companies — boast similar trends in drug prices and spending.

Finally, in 2017, we witnessed policymakers working together to help make sure medicines are accessible and affordable. Congress adopted reforms to streamline the clinical trial process and improve competition for generics and biosimilars.

The Food and Drug Administration [approved](#) an impressive 46 novel medicines (the highest number in decades) and a record number of generic drugs (more than 1,000). Both will spur competition and further drive down costs.

While these efforts will go a long way toward improving public health, more can be done to provide individuals the medicines they need at an out-of-pocket cost they can afford. The best approach is a holistic approach, one that recognizes the many players in our health care system. Anything less would be misleading and do little for patients at the pharmacy counter.

For example, we must recognize the central role insurers play in determining how much people pay for prescription drugs, or the tactics used to restrict access to vital medicines. Compared to hospitals and physicians, prescription drugs [represent](#) the smallest share of overall health care spending. But this isn't reflected in patients' out-of-pocket costs.

Insurers [require](#) patients to pay four and a half times more out of pocket for prescription drugs than for hospital services, even though hospitals consume the lion's share of our health care dollars. Deductibles and coinsurance requirements — once unheard of for medicines — are all too common and going up. If it feels like your drug costs mirror your monthly mortgage, it's because insurers are forcing patients to foot a larger share of the bill.

Meanwhile, we've heard stories of patients celebrating the discovery of a new medicine, only to discover their insurance provider has denied coverage. Some insurers required hepatitis C patients to wait until they had progressed to the late stages of this deadly disease before covering the cost of a new cure. Research released by Harvard's Center for Health Law & Policy Innovation [found](#) insurers discriminating against Georgia residents who need HIV medications — a practice that's not uncommon.

We also cannot ignore the role of PBMs, because they help determine which drugs will be covered by insurance and at what cost to patients. They negotiate discounts and rebates with manufacturers, and do so aggressively. IMS Quintiles [estimates](#) that discounts, rebates and other concessions reduced list prices on branded drugs by approximately \$127 billion. But we don't know how much of these savings were passed along to patients or withheld as profits for PBMs and insurers.

And let's not forget the role of hospitals, where many patients receive their medications. A recent Moran Company [analysis](#) found that hospitals, on average, markup the price of medicines by nearly 500 percent.

After price negotiations, hospitals receive roughly 250 percent more than what they paid to acquire the drugs. That's a hefty profit margin for

dispensing medications, and it helps explain why hospital services are a leading driver of rising insurance premiums and health care spending.

Our health-care system works best when policies reflect the role all actors play in serving patients. In fact, 2017 was notable for another reason: Many of these actors, including drugmakers, insurers, patient advocates and others, put forward [market-based solutions](#) for addressing the affordability of prescription drugs. These solutions include enhancing competition, empowering patients and breaking down barriers to value-based pricing.

Developed by the Council for Affordable Health Coverage, these consensus proposals build on what works so patients have access to new cures and treatments at costs they can afford. By adopting the Council's consensus reforms, policymakers can take an important step toward improving health care and ensuring 2018 is another breakthrough year for biomedical innovation.

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