

# WHY ARE PRESCRIPTION DRUGS SO EXPENSIVE?

## MINNESOTA COUNCIL OF HEALTH PLANS

Minnesotans get some of the best medical care in the nation—and that care is more and more expensive. For the nearly 5 million people who have insurance through one of the Minnesota Council of Health Plans' insurers, an average of 91 cents of every premium dollar goes *directly* to pay for medical expenses—which means the high prices for care lead directly to higher premiums we pay each month.

According to data compiled by the Council, our ever-increasing expense for prescription drugs is pushing our medical bills higher than ever before.

### DRUGS ARE PRESCRIBED IN 7 OF 10 APPOINTMENTS

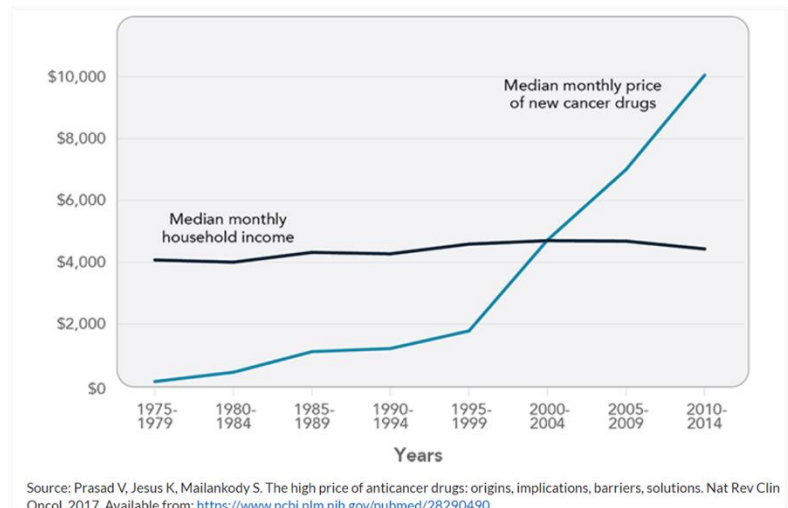
#### EXPENSE SHOWS UP AT PHARMACY, HOSPITAL, CLINICS, WORK

Drugs aren't just expensive when you pick them up at your local pharmacy—we are paying more when we get medications in Minnesota's hospitals and clinics as well. The increase in drug spending is the result of two important trends: the rise of specialty medications and the repricing of other drugs.

Local pharmacy experts report that about \$1 out of every \$5 we spend on medical care is for prescription drugs. Everyone who pays health insurance premiums and taxes pays for prescription drugs. And it's expensive for employers as well—they pay for more than 40 percent of prescription drug expenses. While 2017 brought good news with lower increases in prescription drug bills, that slowdown isn't expected to last. In January 2019, drug manufacturers announced a new round of price increases.

We can reduce the expense, sometimes. Health insurers are working with employers and others so that Minnesotans can get the most effective treatments at the best possible prices. Using lower priced generics instead of brand name drugs when possible also helps. Those savings go directly into lower premiums.

Yet even after taking these steps, prices for many drugs remain out of reach for many people, even with insurance. Today, some drugs that treat cancer are more than \$13,000 a month.



#### NEW DRUGS MORE EXPENSIVE

SPECIALTY DRUGS are high-cost medications to treat complex, chronic, rare or hard-to-manage conditions. They often require special handling, and all are extremely expensive. Right now in Minnesota a specialty drug prescription is about \$5,000 a month on average. While 2 percent of all prescriptions are for these drugs, they currently make up more than 40 percent of drug-related expenses.

Drugs in the product pipeline are going to be even more expensive. Gene therapy, a newer group of specialty

drugs, bring the promise of even more remarkable effects on our lives and are priced to match. Early in 2019, the drug [Zolgensma](#) is expected to gain approval to treat babies who have a life-threatening condition called spinal muscular atrophy. The price to treat a child is expected to be [\\$4 million to \\$5 million](#). Luxturna which treats vision loss that may lead to blindness is priced at [\\$850,000](#). Over the next three years, 40 gene therapy drugs are expected to be available.

Think about it this way: If just one person needs an \$800,000 drug about 10,000 people—a small town or a large company—will pay an extra \$6.67 a month to help the person get necessary care.

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## OLDER DRUGS MORE EXPENSIVE

Generic drugs are getting more expensive, too. Instead of the pennies per pill, some well-known generics are now being sold for many times what it costs their manufacturers to produce them. Ten years ago, the price of two pens filled with Epinephrine to treat severe allergic reactions was \$94. Today it's \$373 for the generic version. Insulin used to treat people with diabetes today has been around since the mid [1990s](#). Back then, the price was \$21 a vial. Today the price is \$320.

Drug companies also extend existing specialty drugs to treat more conditions. Humira, the [most advertised](#) and [best-selling](#) drug in the world now costs about \$5,800 a month. When approved in 2003 to treat inflammation caused by rheumatoid arthritis, its price was \$1,100 a month. Humira has now been approved to treat nine conditions—with more on the way.

The expanded use of specialty drugs to treat more common conditions, along with the ever-increasing price raise urgent questions about whether these drugs' effectiveness justifies their immense cost. Acthar Gel, for example, has been around since 1952 and started as treatment for babies who had seizures. By the 1970s it was being used to treat multiple sclerosis. Today, it's also used to treat problems of the eyes, joints, lungs, skin, thyroid and others. Today, its price is \$40,611 a treatment. There is [research](#) showing the drug may not be better for treating MS than a treatment that costs \$11.

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## COHERENT PUBLIC POLICY NEEDED

Patents are supposed to defray the cost of research and development. Theoretically, patents help make new cures available and after a company's patents expire, other drug makers can begin to produce a "generic" version of it. Real life is a lot more complicated and we are all paying the price.

While waiting for more federal action, many states and other organizations are stepping in to try and help. Examples include:

- [ICER](#) and other organizations that look at the comparative value of drugs
- California and other states that are creating new transparency laws to expose drug price increases
- Attorneys General in Minnesota and other states have filed suits against insulin pricing practices

There is no single solution to resolve a problem that has been decades in the making. But we need to start taking steps, now.