Medicaid sees big price hikes for decades-old drugs

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An investigation by Kaiser Health News (KHN) found that numerous decades-old drugs still have high price tags, and some remain branded despite how long the drugs have been available on the market.

Based on an analysis of Medicaid data, KHN found that spending by the program on old and commonly used drugs increased by billions of dollars in 2016 compared to the previous year. In fact, the per-unit costs of dozens of generic medications doubled or even tripled during this period.

Some 67 generic and non-branded drugs cost Medicaid an extra $258 million in 2016. Medicaid spending on branded drugs, including nine branded drugs that have been available for decades, increased by as much as $3.2 billion.

The costs per unit do not include drug rebates provided by drug manufacturers, but the exact size of these discounts is a closely held proprietary secret.

The report highlighted a number of drugs whose prices increased dramatically in 2016, despite some being available as far back as half a century:

• The price of fluphenazine hydrochloride, used to treat schizophrenia and approved in 1988, rose an average of 347 percent, increasing Medicaid spending by an extra $8.5 million.

• The price of potassium phosphates, used to treat renal failure and approved in the 1980s, rose 290 percent, costing Medicaid an extra $1.8 million.

• The price of naproxen sodium, the painkiller branded as Aleve that was approved in 1994, rose an average of 236 percent, costing Medicaid an extra $10 million.

• The price of Depo-Provera, used for birth control and approved in 1960, rose by more than 100 percent, costing Medicaid an extra $4.5 million.

In 2016, Medicaid also spent additional funds on a number of branded drugs, including $223 million extra on the arthritis drug Humira, $137 million on the cancer drug Herceptin, $117 million on the schizophrenia drug Latuda, $106 million on the arthritis drug Enbrel, and $102 million on the diabetes drug Humalog. Medicaid spending on the Epipen, the device used to treat serve allergic reactions whose price hikes sparked outrage last year, increased by $70 million.

While the cost of a drug normally declines when it goes generic, a host of factors can delay or undermine this trend. For example, patients may choose stay with the branded version and some states prevent pharmacists from automatically substituting generic for branded prescriptions.

More importantly, the price of generic drugs is related to the number of competitors producing the drug. Citing an analysis by the Food and Drug Administration, the KHN study notes that when there are five or more competitors, the price will drop to about a third of the original price; with two competitors, the price drops to about half the original cost; but when there is only one generic producer, the price only drops by 6 percent compared to the branded version.

Drugmakers have sought to limit competition by illegally colluding with “competitors” in order to keep drug prices artificially high. Since December of last year, 40 states have filed antitrust claims against six generic drug manufacturers—Citron Pharma, Heritage Pharmaceuticals, Myane Pharma, Teva Pharmaceuticals, Aurobindo Pharma, and Mylan Pharmaceuticals—alleging that the companies conspired to divide the market on an antibiotic and an oral diabetes medication, resulting in substantial price hikes.

Pharmaceutical companies also squelch generic competition by suing drugmakers that challenge their patent, or by entering into pay-for-delay deals in which generic manufacturers are compensated for delaying their entry as a generic competitor.

For example, in 2015, Concordia Pharmaceuticals and

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Par Pharmaceuticals settled charges with the Federal Trade Commission (FTC), which alleged that Concordia agreed to not sell generic versions of Kapvay, a treatment for Attention Deficit Hyperactivity Disorder (ADHD), in exchange for 35 to 50 percent of the net profits made by Par's sales of the drug. That same year, Teva Pharmaceuticals settled a $1.2 billion lawsuit with the FTC, which claimed that the company it had acquired in 2012, Cephalon, had blocked generic competition against its narcolepsy drug Provigil.

A November 2014 perspective article in the *New England Journal of Medicine* (NEJM), also drawing on Medicaid data, found a number of similar sharp price hikes among generic drugs between November 2012 and November 2013, including a 5,330 percent increase in the price of doxycycline hyclate, a broad-based antibiotic available since 1967, a 3,780 percent increase in the price of clomipramine, an antidepressant, and a 2,850 percent increase in the price of captopril, used to treat hypertension and heart failure.

The NEJM article also noted a dramatic hike in the price of albendazole, a broad-spectrum antiparasitic medication used primarily to treat immigrants and refugees suffering from intestinal parasites and other maladies. Its price rose by more than 2,000 percent between 2010 and 2013. While the drug is off patent, no companies have sought to introduce generic versions because there is no profit incentive to do so.

This past May, the health care technology company Truveris issued a report that drug prices had increased by 8.8 percent in 2016 compared to the previous year—an increase that was 318 percent greater than the rate of inflation. It found that the previous three years have seen an average 10 percent increase in drug prices annually.

A report released this past February by Raymond James & Associates found that the drug industry raised the list prices of 2,353 prescription drugs at the start of 2017.

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