

## A “Broken” System? Hospitals Reproach Big Pharma for “Egregious” Price Hikes



More than 50% of adults in this country take some type of

prescription medication, and recent polling by the Kaiser Family Foundation revealed that the majority do not have complaints about being able to afford drugs they need.

According to a recently-released study by an independent research organization, hospitals, however, do not report the same level of satisfaction.

The NORC study for the American Hospital Association and the Federation of American Hospitals was based on data from over 700 of the country's 4,300 community hospitals. It found that the average annual costs for inpatient medications increased by 23% between 2013 and 2015. And, for the most part, the hike was due to higher drug prices and not a jump in quantities of medications dispensed.

Twenty-three percent is a significant enough increase over a relatively short period of time, but the data is even more impactful when it's considered through a case-by-case lens. On a per-admission basis, hospital spending on prescription drugs surged nearly 39% (from \$714 in 2013 to \$990 in 2015). And because insurers and government programs (such as Medicare) typically have a ceiling on what they'll pay per case, hospitals can't merely pass along the cost of expensive meds.

### Is the pharmaceutical industry unable to self-regulate?

Scott Knoer is chief pharmacy officer at the Cleveland Clinic. In a teleconference sponsored by two hospital lobbying groups, he had this scathing criticism to offer: “The system is clearly broken. The [pharmaceutical] industry has proven time and time again it can no longer regulate itself.”

Knoer described the pattern of recent price hikes as “egregious” and opined that, realistically, hospitals can't get ahead of the problem. Just when there's some good news on the horizon regarding the price stabilization of one medication, another will soar. “It's like playing whack-a-mole,” he added.

Perhaps unsurprisingly, the pharmaceutical industry has leveled criticism at the report, arguing that it presents a distorted look at drug costs and centers around meds that are “unrepresentative” and “older.”

“Further, the report fails to acknowledge that hospitals often significantly mark up medicines charged to patients and payers,” Holly Campbell of the Pharmaceutical Research and Manufacturers of America said.

**“Random, inconsistent and unpredictable”...is the only**

## constant increase?

Rick Pollack is president of the hospital association. "The concern about the rising cost and prices of prescription drugs has been a bipartisan issue," he said. "We are hoping this study will help inform policy makers as to the nature of the problem."

Though the study reveals that around one-third of hospitals ascribed a "severe" budgetary impact to prescription prices, leaders of the two hospital groups expressed a desire to avoid the need for the government to directly regulate prices. Still, they also stated that it's obvious that a debate about this issue is necessary.

Purchasing organizations allow hospitals to buy regularly-used supplies in bulk, thereby taking advantage of volume discounts. In addition to the hospital data the report analyzed, it also looked at the purchase prices of 28 medications from two large group purchasing organizations. The study showed that increases in price appeared to be "random, inconsistent and unpredictable," and affected meds that were both in use quite often and more rarely used, as well as generic and brand-name drugs.

For example, the price per unit that hospitals paid for acetaminophen jumped by 135% from 2013 to 2015. The medication that was affected by the highest per-unit leap was Daraprim (an infection-fighting drug first approved by the FDA in 1953). After acquisition by Turing Pharmaceuticals, its medication pricing per unit rose from \$919.10 to \$34,882.24, which is a 3,695% increase.

For more information/questions regarding any legal matters, please email [info@nelsonhardiman.com](mailto:info@nelsonhardiman.com) or call 310.203.2800.