

Why Are Cancer Drugs So Expensive in the United States, and What Are the Solutions?

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Abstract

High cancer drug prices are a worsening trend in cancer care and are affecting patient care and our health care system. In the United States, the average price of cancer drugs for about a year of therapy increased from \$5000 to \$10,000 before 2000 to more than \$100,000 by 2012, while the average household income has decreased by about 8% in the past decade. Further, although 85% of cancer basic research is funded through taxpayers' money, Americans with cancer pay 50% to 100% more for the same patented drug than patients in other countries. Bound by the Hippocratic Oath, oncologists have a moral obligation to advocate for affordable cancer drugs. In this article, we discuss the high cost of cancer drugs, the reasons for these high prices, the implications for patients and the health care system, and potential solutions to the problem.

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Today's increasingly frequent and louder discussions about the high cost of cancer drugs have been prompted by the relentless escalation in their prices and were triggered by 2 publications. The first was an editorial by oncologists from the Memorial Sloan Kettering Cancer Center in New York City comparing 2 drugs, bevacizumab (Avastin, Genentech, Inc) and aflibercept (Zaltrap, Sanofi-Aventis US LLC) and recommending bevacizumab to the hospital formulary because it was equally effective and less expensive than aflibercept.¹ The second was an editorial by 120 experts in chronic myeloid leukemia expressing their concerns about the high prices of new cancer drugs and the continuously rising prices of older ones.² In the United States, the average price of cancer drugs for about a year of therapy increased from between \$5000 and \$10,000 before 2000 to more than \$100,000 by 2012,³ while the average household income has decreased by about 8% in the past decade.⁴

SHOULD CANCER DRUG PRICES BE DETERMINED BY MARKET FORCES OR BY FAIR PRICING?

This trend of unaffordable cancer drug prices brought into question the *justum pretium*, the "just price" (or fair price) of a cancer drug vs "what the market bears."^{5,6} In a *New York Times* editorial, Paul Krugman⁷ relates the

story of the Middle Ages Crusades to conquer the Holy Land being considered as *Deus vult*—"God wills it!" Today, the free market (a modern god) will offer, through its forces, the best economic solution—*mercatus vult*, "the market wills it." We know today the consequences of the Crusades in lives lost and cities destroyed. The health care industry in the United States is for-profit (unlike in European and other advanced nations), which appears to result in ill consequences driven by the demands for high profits: high drug prices (including cancer drugs) and high health care costs (18% of our gross domestic product vs 5%-9% in Europe).^{8,9} Despite the high level of spending, US health care outcomes are worse than those in other advanced nations.⁹⁻¹³

In a free market economy, commodities purchased by choice (eg, watches, cars, homes, clothing, dining in restaurants) can have a wide range of prices according to what the market will bear because there are no monopolies, and prices may vary widely on the basis of quality, exclusivity, cache, and the profit margin. This should not be the case with commodities like health care that involve sickness, suffering, and death. In such situations, unlike the doctrine of *mercatus vult*, the doctrine of fair price is the more humane and moral doctrine: reasonable profit for a drug that is affordable to patients and to our society.

MORAL AND SOCIAL CORPORATE RESPONSIBILITIES OF PHARMACEUTICAL COMPANIES WHEN ESTABLISHING CANCER DRUG PRICES

George W. Merck, onetime president of the large pharmaceutical company Merck & Co. and the son of the founding family, said “Medicine is for the people. It is not for the profits.”¹⁴ Dr Rashi Fein said, “Decent people—and we are decent people—are offended by unnecessary pain and suffering; that is, by pain and suffering for which there is a treatment....”¹⁵ These views reflected historically the mission and vision of pharmaceutical companies, whose aims were to develop treatments that help patients and produce reasonable profits and returns on investment (about 10% in the 1970s). The recent trend in high cancer drug prices represents a departure from this business model and social corporate responsibility in favor of maximizing profits regardless of the potential consequences to patients who cannot afford the drugs.

UNAFFORDABLE CANCER DRUG PRICES MAY HARM PATIENTS

With out-of-pocket expenses of 20% to 30%, the financial burden for a patient with cancer for one drug would be \$20,000 to \$30,000 a year, nearly half of the average annual household income in the United States (about \$52,000 in 2013).⁴ This financial burden is worse for seniors who rely on Medicare (average annual income per person, \$23,500), and these are the individuals who are more likely to have cancers.¹⁶ About 10% to 20% of patients may decide to compromise on their therapy or to not take it.^{17,18}

SHOULD ONCOLOGISTS BE INVOLVED IN THIS DISCUSSION?

Physicians are bound by the Hippocratic Oath, which emphasizes 2 important tenets: protecting patients from harm and injustice both at the personal and social level. High drug prices make them unaffordable and inaccessible, thus causing harm to patients and injustice when differential therapies are applied on the basis of affordability. Oncologists thus have a moral obligation to advocate for affordable cancer drugs.

JUSTIFICATIONS FOR HIGH CANCER DRUG PRICES—ARE THE REASONS OFFERED VALID?

Pharmaceutical companies and their spokespersons routinely justify high prices with 4 arguments: (1) high cost of research and drug development, (2) comparative benefits to patients, (3) *mercatus vult*—market forces will settle prices to reasonable levels, and (4) controlling prices stifles innovation. We believe that none of the 4 reasons, offered after every protest about the announced shocking price of a new cancer drug, are convincing or ethically justifiable.

First, an objective evaluation of research costs shows them to be as low as 10% of the cited more than \$1 billion figure.^{19,20} Andrew Witty, the chief executive officer (CEO) of GlaxoSmithKline, stated in 2013 that the \$1 billion cost is “one of the great myths of the industry.”²¹ Second, a cost-benefit analysis reveals no correlation between price and benefits when measured by objective criteria such as survival or quality of life.²² One drug may prolong life by years and another by days, yet both carry similar price tags.

Third, in a market with few players (pharmaceutical companies), an apparent oligopoly of pricing has been established. This oligopoly has been detailed in analyses by 2 economic experts, Joseph E. Stiglitz (recipient of the Nobel Memorial Prize in Economic Science in 2001)²³ and F. M. Scherer.²⁴ Even though there may be 5 to 8 cancer drugs approved for similar cancer indications, competition is almost never based on price. Oligopolistic firms refrain from price competition (without explicit price-fixing agreements), virtually producing an equilibrium equivalent to monopolistic agreements.²⁴ Further, in many instances, patients may need to be treated with each of the approved drugs sequentially because many cancers are still incurable and each drug stops working after a period of time.

Fourth, innovation in cancer research is not stifled by curbing profits and by increasing affordability. It is the result of creative minds and cancer researchers driven by societal and humanistic missions. High profits are often channeled toward higher salaries and bonuses of drug companies' CEOs, not invested back into cancer research. In a *Forbes* editorial, Peter Bach²⁵ outlined how high drug prices

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