

How the Cost of Pharmaceutical Drugs Can & May Be Made More Affordable for All U.S. Citizens



(Julia Sudnitskaya/Dreamstime)

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Wednesday, 12 August 2020 12:48 PM

How much are you currently paying for your pharmaceutical drugs?

If you or a family member have an illness or an accident, can you afford the pharmaceutical drugs needed to treat that illness or maintain your health?

Why are pharmaceutical drugs so much more expensive for U.S. citizens than the rest of the world?

As an expert on healthcare, an employer, a husband, a dad, and as an American citizen, I have similar concerns and questions.

Every time I leave the pharmacy or get a hospital bill, I find myself asking why we are paying so much for our pharmaceutical drugs and how can we reduce these costs?

The answer: the favored nations approach.

For over 50 years, I have worked in the insurance industry, specializing in healthcare.

Over the last two decades, I have spoken about, written many articles on, and spoken to many government and industry leaders about the answer to our questions on pharmaceutical drugs, calling for the reduction in cost of drugs to be equivalent to the price of whichever country's with the lowest price (i.e. the favored nation pricing approach). (1)

On July 24, President Trump signed four executive orders on prescription drugs, which are focused on implementing drug pricing reform. Put simply, the executive orders focus on the amount Medicare pays drug companies for drugs administered in physician offices; most favored nation pricing and reducing the cost of insulin and epinephrine.

The order related to "most favored nation pricing" states that the policy of the United States Medical Program shall "not pay more for costly Part B prescription drugs or biological products than the most-favored-nation price."

The price "shall mean the lowest price, after adjusting for volume and differences in national gross domestic product, for a [drug] in a member country, with a comparable per-capita gross domestic product, of the Organization for Economic Cooperation and development." Put simply, Medicare will pay drug companies the lowest price among comparably wealthy nations instead of at the average price of a group of industrialized countries. (2) (3) (4) (5)

(1) This type of approach is not novel, it is also used in other industries. For example, let's say you buy a piece of real estate and start building on it, only to realize your neighbor is doing the same thing, but cheaper. There is a clause that says that you too can build for the same cost. Large real estate developers use this clause all the time in the real industry.

Why is this important? By taking this approach, the Trump administration can help ensure that pharmaceutical drugs will be more affordable by every citizen in the United States, a crucial step in fixing a monumental issue facing our country's healthcare system.

In a normal market, the largest purchaser of a product or good has the ability to negotiate the lowest price for that product or good. So why are we forced to pay the highest price when we represent the largest market in the world?

If signed into effect, this approach should drive down the average cost of pharmaceutical drugs for every citizen in the United States of America. The President states that there could even be a 50% (or more) reduction in the cost of our drugs. (6)

I'm sure you find yourself asking, how is this even possible and why are we paying so much in the first place? To answer these questions, it is important to understand a little bit about what has been

happening with the pharmaceutical companies and government policies over the past couple of decades.

When President Obama put in his healthcare plan, he made a deal with the pharmaceutical drug companies to make the cost of drugs non-negotiable.

Put simply, Americans who had health insurance and who didn't have health insurance were spending more money for drugs to take care of illnesses than most other countries in the world, the very countries that the U.S. supports and finances.

If this order is put into effect, it will not only enable us to negotiate the cost of drugs, but will hopefully also reduce the cost of pharmaceutical drugs we need to live to be the same price as that of the cheapest in the world in the short and long term.

It is important that this not be taken as a commentary or a reflection of "party issue," because the ability to afford to take care of yourself and your family affects us all. It does not matter whether you are a Democrat or a Republican --- we are all American citizens and all human beings.

We should be able to afford to live, to protect our families and still have money left over to put food on the table, to be able to put money back into the economy and into our family.

This is a crucial step for the United States Healthcare System and vital during this pandemic and during these difficult economic times.

According to Forbes, this approach "will do the most to reduce seniors' out-of-pocket costs, and the most to reduce entitlement spending and thereby the deficit." (7)

Of course, the pharmaceutical drug companies are not in favor of these orders. In addition to the many phone calls from everyone from government officials to the pharmaceutical companies themselves, the Trump administration will receive a colossal amount of blowback as many of those against this order are preparing major ad campaigns in various swing states.

But these executive orders could save billions in taxpayer funds and help millions of low- and middle-income Americans better afford their prescription drugs.

But enough is enough. The current cost of pharmaceutical drugs is outrageous.

At Richard Bernstein & Associates Inc., we ensure that every one of our clients who has a healthcare claim is covered, especially claims related to pharmaceutical drugs.

Did you know that the cost for diabetics to maintain their health is close to \$1,000 per month? Or that it costs \$600 just to buy an EPI pen? See below for additional examples that I have encountered over the years:

- 10 years ago, I had a client who was diagnosed with MRSA8. She was taken to the hospital to treat the infection. Because she was underage, the doctor kept her in the hospital in a room with an IV until she was able to get the pills, she needed to fight the infection so that she would not die. The doctor wrote her a prescription, but the insurance company refused to help cover the cost of the medication (the cost at the time was approximately \$500 per pill). I spent an entire day trying to resolve the issue, eventually calling the president of the insurance company. I said to him, "we have a problem. My client needs this drug, or she will die. The company is saying they will not cover the cost of the drug. The way I see it is we can either pay for the drugs at \$500 a pill or put the client back into the hospital on IV for a cost of \$15,000 per day." The president of the company agreed that it would be better to cover the cost of the pills than to keep the client in the hospital.
- My mother used to buy all of her maintenance drugs in Canada. Why? Because she could not afford to buy her drugs here in the United States. At that time, Canada had the cheapest cost for those pharmaceutical drugs.
- Over the last 10 years, because of the clause that we couldn't negotiate with drug companies a lot of Americans have been going overseas to buy their drugs. Americans will be able to buy their drugs domestically and both pharmaceutical drug costs and healthcare costs should go down. The cost of certain drugs has gone up approximately 6-8 times under Obamacare.

The examples illustrated above demonstrate the importance of what President Trump is trying to do and how it can help all U.S. citizens. We shouldn't be overcharged by the cost of a drug that is needed to save or maintain our lives and having our hard-earned money left over to put food on our tables and to provide for our families. "We are putting patients over lobbyists, senior citizens before special interests, and we're putting America first," said Trump. (9)

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(2) Source: <https://www.forbes.com/sites/avikroy/2020/07/24/trumps-most-favored-nation-prescription-drugexecutive-order-will-reduce-costs-for-seniors--taxpayers/#7e47af8a1860>

(3) The following is a list of OECD-member countries whose GDP per capita is within 60% of the U.S., according to the FREOPP World Index of Healthcare Innovation,: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Ireland, Israel, Japan, the Netherlands, New Zealand, Norway, Sweden, Switzerland, and the United Kingdom. (Source: <https://freopp.org/wihi/home>)

(4) Source: <https://www.federalregister.gov/presidential-documents/executive-orders/donald-trump/2020>

(5) Source: <https://www.whitehouse.gov/briefings-statements/remarks-president-trump-press-briefing-august-32020/>

(6) Source: <https://www.whitehouse.gov/briefings-statements/remarks-president-trump-press-briefing-august-32020/>

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(8) Methicillin-resistant *Staphylococcus aureus* (MRSA) is a bacterium that causes infections in different parts of the body. It's tougher to treat than most strains of *staphylococcus aureus*—or Staph – because it's resistant to some commonly used antibiotics.

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