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A Price That Isn't Soaring: Prescription Drugs

Prescription medicine prices rose 0.1% in June, and 2.5% in the last year.

By [The Editorial Board](#) [Follow](#)

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PHOTO: YVES HERMAN/REUTERS

For our sins, we spent some of Wednesday looking through the price tables in the Bureau of Labor Statistics inflation report for June. Fun, right? Ok, not a hoot, but call it a labor of love. And, what do you know, we discovered a remarkable fact you won't see reported anywhere else: Prescription drug prices are rising more slowly than almost all other items.



How the White House Is Spinning 9.1% Inflation



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Yes, the same drug prices that are the target of so much Washington denunciation rose a mere 0.1% last month. This is not a one-time event. Drug prices are up a mere 2.5% over the past year. This is notably less than the increase in non-prescription drug prices, which grew 1.2% in June and 4.7% in the last year. Other medical care prices also rose far more. Health insurance climbed 2.1% last month and is up 17.3% over the last year.

While politicians flog the high prices of some new treatments such as gene and cancer immunotherapies, competition from generics is driving down prices for older drugs that more patients use. Overall healthcare spending on newly launched medications was \$87.7 billion between 2015 and 2020, which was more than offset by the \$93 billion in savings from new generics.

A Congressional Budget Office report in January estimated that the average prescription drug net price for the Medicare Part D program fell to \$50 in 2018 from \$57 in 2009, and to \$48 from \$63 for Medicaid. This doesn't include the lifetime savings to the healthcare system from treatments like Hepatitis C drugs that cure most patients.

Yet Democrats are targeting drug makers to pay for their less fat—please don't call it skinny—climate and social-welfare spending bill. Senate Majority Leader Chuck Schumer and West Virginia Sen. Joe Manchin have reportedly agreed to a deal requiring Medicare to “negotiate” prices for higher-cost drugs.

There is no negotiation when the government points a gun at your head. The deal would slap companies with a 95% excise tax on their sales if the government claims they aren't negotiating in good faith. Drug makers won't even be able to challenge the government price control—deemed the “maximum fair price”—in an administrative appeal or court.

This drug-pricing non-fix would cause prices to rise faster by discouraging development of new generics. Medicare's negotiated prices also won't apply to privately insured patients. They will likely get stuck paying higher prices to offset the so-called savings that drug makers would be required to give Medicare, which will go toward subsidizing green-energy.

Worse, the deal would discourage investment in new treatments. Which would most Americans rather have: more life-saving treatments or rooftop solar panels? The first rule of medicine is do no harm. The same should go for legislation.

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