

Affordable Medications for America Initiative (AMAI)

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ISSUE:

In 2021, the United States (US) spent an estimated \$364.8 billion on prescription drugs. This expenditure is projected to grow annually at a consistent rate of 5.3%, and could cost \$US 567 billion by 2030. In 2020, the US spent the most per capita in the world at \$1,309.68, a staggering number when compared to the next highest spending country, Germany, which spent \$947.76 per capita in the same year. Additionally, it has been calculated that the price of prescription drugs in the US are 2.4 times higher than nine other comparable countries (Austria, Australia, Belgium, Canada, Germany, Japan, Sweden, Switzerland and the United Kingdom). Further solidifying this alarming issue, 83% of Americans reported in 2022 that in their opinion, prescription drug prices are unreasonable, and 3/10 Americans have not taken their medication as prescribed due to their price.

POLICY SOLUTION:

The ever-rising high prices of prescription medications in the US has become an urgent matter for millions of Americans. The reasons for this lie in anti-competitive behavior within the industry which has created an oligopolistic market in which the incumbents have market control over the prices of many prescription drugs. The AMAI seeks to resolve this issue by implementing realistic policies to lower drug prices that will reduce overall healthcare spending by expanding IRA22, increasing competition through public manufacturing, and incentivizing international distribution.

In order to lower healthcare expenditures, we recommend three policy directions to reduce prescription drug costs:

- **Expanding the “Inflation Reduction Act of 2022”:** The IRA22 policy to lower prescription drug costs should be considered and implemented federally. The policy applies to Medicare holders and sets monthly price caps on a variety of medications such as a \$35 monthly limit on insulin. It also allows the Secretary of Health and Human Services (HHS) to negotiate prices for selected high-cost prescription drugs. We also recommend that the HHS Secretary negotiate drug prices nationwide in order to increase savings. Additionally, companies that raise drug prices beyond the prevailing rate of inflation will be held accountable through substantial rebates to Medicare holders. IRA22 policies will be implemented by 2025, and have been projected to lower drug costs and save \$287 billion over a 10-year period. Currently, IRA22 applies only to Medicare holders; however, applying the policies to every prescription drug could save billions more.
- **Public Drug Manufacturing:** We propose that state governments become a player in the generic prescription drug market by becoming a manufacturer and distributor. Public manufacturing and distribution should take place when zero or when 1-2 companies are marketing the drug (when there are price increases above inflation, or drug shortage, or if price is a barrier to public access). With this in place, consumers will be protected from price changes because the federal government can produce and adequately stock drugs on US soil, avoiding any shortages (major contributor to rising prices). The government acts to serve the people and does not rely on increasing profit to satisfy shareholders, keeping price consistent.
- **Encourage International Competition:** We should encourage international contribution and innovation into the US pharmaceutical market. This could involve streamlining the US Food and Drug Administration’s (FDA) approval process for generic and biosimilar drugs as well as eliminating anti-competitive practices to increase market competition. The government should be open to the safe importation of FDA-approved prescription drugs from countries with already rigorous regulatory standards. This will introduce additional competition into the market and help lower drug prices for American consumers thereby lowering drug costs and overall expenditures. This will additionally promote innovation and instill more choices for consumers in pharmaceutical markets.

The AMAI is a comprehensive, strategic approach that addresses the dilemma of high cost prescription drugs in the United States with the overall goal of lowering national spending and increasing competition within the industry. This initiative will make medications more accessible for all Americans while lowering the cost of health expenditures due to individuals not taking prescribed medications (because of high prices) and experiencing further complications in their health. The policies also aim to increase competition which will limit the control industry incumbents who have been raising prices.