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EDITORIAL

## The Drug Industry Cashes In

The drug industry has been ramping up its prices in advance of any health care reforms that might clamp down on its profits. The industry's rapid price escalation over the past year threatens to make a mockery of its deal with the Senate Finance Committee and the Obama administration to contribute \$80 billion over the next decade to help pay for covering tens of millions of uninsured Americans.

The industry's contribution will consist of drug discounts to certain Medicare beneficiaries, larger rebates on drugs bought for Medicaid beneficiaries and new fees on the industry.

We complained earlier that the industry's contribution looked small when measured against the \$1 trillion needed to cover most of the uninsured or against the \$3 trillion likely to be spent on drugs in this country over the next decade. The administration got political benefits from the deal: The drug industry has not opposed health care reform as it did in previous years and has actually run commercials supporting it.

But the deal looks mostly good for the drug companies. They stand to gain tens of millions of newly insured customers who will be able to buy medicines. And the discounts the companies will provide to Medicare beneficiaries who reach a gap in their drug coverage, known as the doughnut hole, will apply only to brand-name drugs, helping the manufacturers to lock in customers that might otherwise turn to cheaper generics.

Now come the price increases. As Duff Wilson [reported in The Times on Monday](#), the industry has raised the wholesale prices of prescription drugs by about 9 percent in the past year. That appears to be the highest annual increase since 1992.

The industry contends that it must raise prices to finance research on new drugs, and that may hold some truth given the dearth of promising new drugs in the pipelines of major manufacturers. But the increases also look designed to establish a higher price base before reform bills, if passed, try to reduce drug spending.

The industry's maneuver suggests that the Senate's deal with the industry should be abandoned in favor of the much tougher demands in the reform bill passed by the House. The House bill

requires rebates and discounts from drug makers that may save the government about \$150 billion over 10 years, according to the chief actuary for the Center for Medicare and Medicaid Services. The House bill also authorizes the secretary of health and human services to negotiate with the companies to obtain lower prices for drugs sold to Medicare beneficiaries and to a new public plan if one is approved.

The government needs every penny it can get to help cover the uninsured. Given the industry's last-minute price increases, it seems prudent to ignore the supposed deal and demand a greater contribution.

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