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NATIONAL REVIEW

An Effective Ban on Cheaper Medicine is Lifted

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Americans overspend by over \$135 million dollars on prescriptions, which they buy through their insurance even when the non-insurance price is cheaper. It's reasonable to assume that the service that pays towards your medical needs (at a cost of thousands per year) would always offer you a cheaper price, but this is not the case.

Pharmacy “gag clauses” *prevent* pharmacists from disclosing the cheaper option to customers — and the difference in price doesn't go to the drug company, but to the pharmacy benefits managers (companies like CVS Health or United Health). The differences can be drastic, such as an \$18 medicine being sold for \$129 through insurance, or a \$40 medicine which was originally presented as costing \$1300, cited by Senator Collins (R-Maine) and Rep. Dingell (D-Mich.), respectively.

Several states have banned the practice already, but these new bills (a pair to cover Americans with private insurance and Americans with Medicare/Medicaid alike), sponsored by Susan Collins, extends the reform nationally. Named the Know the Lowest Price Act and the Patients' Right to Know Drug Prices Act, respectively, they were signed into law by the president on Wednesday.

The problem had been ameliorated somewhat through apps for non-insurance prices like GoodRx, which will show you the cash rates for any given prescription at every drugstore in your area, alongside the (free) manufacturer's coupon rate, but by their very nature such solutions are an additional step that is likely only to be taken by the younger and more tech-savvy. And anyway, even if access to such software were more widespread, it's not unreasonable to expect to simply ask the pharmacist — who is purportedly there to take questions and offer advice — for a comparative price.

This legislation is by no means a price control; the additional costs here are not tied to supply or demand, but result from a forced information asymmetry between the patient and the pharmacy. To be sure, pharmacy benefits managers are *not* the driving force behind high drug prices in the US, and they have actually helped Americans *save* millions of dollars in drug costs through their negotiations, as Ike Brannon of the Cato Institute notes. However, I think that this is a worthwhile reform, given that the information pharmacists will now be allowed to share is publicly available anyway, and not some sort of trade secret.