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HEALTHCARE

Healthcare at a Price: Brand Name Vs. Generic Drugs

by Kelsey Chong

The United States spends more on healthcare than any other developed countries. One of the primary reasons is our costly system of brand name prescription drugs. Generic drugs could offer a solution.

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From infancy to our golden years, doctors are always there to treat our sicknesses and mend our wounds. Meticulously diagnosing symptoms and lab results, healthcare professionals must always maintain a patient-centric approach and consider what is best for each unique individual. But at the end of the day, the healthcare and medical industries are also profit-seeking businesses. While other countries around the world are fighting to bring down excessive medical costs, the United States only seems to be hiking them up

higher and higher. The United States healthcare sector soars at about $3 trillion a year, costing about double of that of all other developed countries. If treated as a standalone country, our healthcare industry alone would rank as the world's fifth-largest economy.

Within this extremely expensive industry, prescription drugs are a particularly massive market. Rising to a record $425 billion before discounts in 2016, prescription drug spending is expected to surpass $610 billion by 2020. However, rather than new, higher quality medical technology driving these costs up, the problem instead lies in drug patent monopolization and the heavy marketing of overpriced brand name medications.

The Costly Monopoly of Brand Name Drugs

While other countries enforce national health programs that negotiate drug prices and refuse to cover overpriced medications, the American healthcare system conversely encourages and protects the high-priced monopolization of new drugs. In order to promote innovation, the United States allows pharmaceutical companies to hold patents on newly invented drugs for up to 20 years. Within this lengthy time period, other companies are legally prohibited from selling the same substance without permission from the original patented manufacturer. Because there are no set standards for the pricing of products in the healthcare industry, this patent exclusivity naturally leads to obscenely exaggerated prices. As Matt Salo, executive director of the Association of Medicaid Directors, explains: "Drug companies charge what the market will bear, and in the United States the market will bear a lot." As their drugs are legally protected from imitations, patented companies can easily price products at hundreds of times higher than their true value without having to worry about any competition.

A predominant example of a pharmaceutical company with extreme prices is Gilead Sciences Inc.: a United States based biopharmaceutical firm that sells a Hepatitis C medication for a retail price of $1,000 a pill, and $84,000 to $150,000 for a course of treatment. Because Hepatitis C can potentially lead to liver failure if left untreated, the company justifies its high price by arguing that it is still more affordable than a $500,000 liver transplant. However, in reality, the majority of untreated Hepatitis C patients never

require a transplant. Furthermore, research suggests that even after 20 years, the savings from no longer having to treat the disease would only compensate for about 75% of Sovaldi's upfront costs.

Generic Alternatives: Lower Price, Same Effect

Although Sovaldi is still patented, in 2015, Gilead licensed 11 different Indian pharmaceutical companies to recreate generic versions of the drug. Because Hepatitis C is extremely common in India, competition naturally intensified as all of the companies scrambled to sell the new miracle treatment. Unlike in America where Gilead still has total monopoly over the compound, the frantic race to make sales in India has driven costs down tremendously. The generic drug was initially introduced to the market at a mere $10 USD. As competition and demand revved up even more, the price continued to drop even further, reaching as low as $4.29 USD.

While Indian companies were able to create a generic version of Sovaldi by receiving Gilead's permission, creating generic versions of brand name drugs after patents expire is also a common practice. Once a company's patent expires, other companies can legally recreate and sell generic versions of the brand name drug, even without permission from the original manufacturer. According to Food and Drug Administration standards, a generic drug must contain active ingredients identical to its brand name version in "dosage form, safety, strength, route of administration, quality, performance characteristics, and intended use." Despite being equally as effective, generic drugs on average cost 80% to 85% lower than their brand name counterparts due to competition in the market place. In 2010, generic drugs saved Americans up to $158 billion, or an average of $3 billion a week.

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