

THE WALL STREET JOURNAL.

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BUSINESS

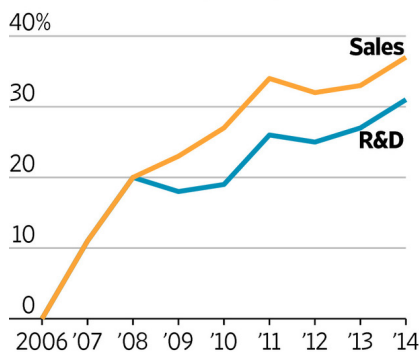
Doctors Object to High Cancer-Drug Prices

More than 100 oncologists call for new regulations to control soaring patient costs in U.S.

Rising Tide

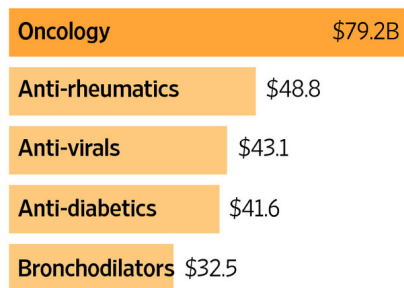
Drug sales have risen significantly; sales in oncology, the largest category, are projected to be among the fastest-growing, at a compounded annual growth rate of 11.6% through 2020.

Change in world-wide prescription sales versus R&D spending



Source: EvaluatePharma

Top world-wide prescription and over-the-counter sales by category in 2014



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By **JEANNE WHALEN**

July 23, 2015 12:01 a.m. ET

More than 100 oncologists from top cancer hospitals around the U.S. have issued a harsh rebuke over soaring cancer-drug prices and called for new regulations to control them.

The physicians are the latest in a growing roster of objectors to drug prices. Critics from doctors to insurers to state Medicaid officials have voiced alarm about prescription drug prices, which rose more than 12% last year in the U.S., the biggest annual increase in a decade, according to the nation's largest pharmacy-benefit manager.

In an editorial published in the Mayo Clinic's medical journal, the doctors focus attention on the financial burden to patients, saying the out-of-pocket costs are bankrupting many just as they're fighting a deadly illness.

Patients "have to make difficult choices between spending their incomes [and liquidating assets] on potentially lifesaving therapies or forgoing treatment to provide for family necessities," the doctors write in Mayo Clinic Proceedings, a monthly peer-reviewed journal. As a result, about 10% to 20% of cancer patients don't take their treatment as prescribed, the doctors say.

The 118 doctors come from institutions including Mayo Clinic of Rochester, Minn., University of Texas MD Anderson Cancer Center in Houston, Dana-Farber Cancer Institute in Boston and University of Chicago.

They are the latest to target high prices. Members of Congress have demanded that pharmaceutical companies justify the pricing of hepatitis C medication, which costs tens of thousands of dollars per patient. Sen. Bernie Sanders has advised the Department of Veterans Affairs to break the patents on hepatitis C drugs so that generics companies can manufacture them more cheaply for ailing veterans.

On Tuesday, Medicare's board of trustees said expensive new medications will help drive a sharp increase in the program's prescription-drug spending over the next decade, raising annual growth to 9.7% between 2015 and 2024, from 6.5% in the prior eight years.

Amid the growing clamor, cancer medication has drawn particular ire. The average price of new cancer drugs in the U.S. increased five- to tenfold over 15 years, to more than \$100,000 a year in 2012, according to the Mayo Clinic journal editorial. Some of the newest therapies, including those that harness a patient's immune system to fight tumors, cost about \$150,000 per patient a year. A top physician from Memorial Sloan Kettering recently warned that as doctors prescribe more cancer drugs for use in combination, the annual price could approach \$300,000 per patient a year.

"What we're fighting is the greed. The greed and the additional maneuvering that is being exercised after you've already recouped what you've invested. There is no control,

MORE ON DRUG COSTS



- U.S. Could Save \$16 Billion on Medicare Prices, Paper Argues (<http://blogs.wsj.com/pharmalot/2015/07/23/u-s-could-save-up-to-16b-if-medicare-part-d-negotiated-prices-paper/>)
- Rising U.S. Drug Prices Are Focus of Research Grant (<http://www.wsj.com/articles/rising-u-s-drug-prices-are-focus-of-research-grant-1437433550>)
- High Prices for Drugs Attacked at Meeting (<http://www.wsj.com/articles/high-prices-for-drugs-attacked-at-meeting-1433119411>)
- New Push Ties Cost of Drugs to How Well They Work (<http://www.wsj.com/articles/new-push-ties-cost-of-drugs-to-how-well-they-work-1432684755>)
- (<http://www.wsj.com/articles/new-push-ties-cost-of-drugs-to-how-well-they-work-1432684755>)
Pharmaceutical Companies Buy Rivals' Drugs, Then Jack Up the Prices (<http://www.wsj.com/articles/pharmaceutical-companies-buy-rivals-drugs-then-jack-up-the-prices-1430096431>)

regulation,” Ayalew Tefferi, a hematologist at Mayo Clinic and the first signator on the new editorial, said in an interview.

The pharmaceutical industry counters that its medicines provide great value to patients and the health-care system, and that high prices are needed to fund future research and development.

“Too often the focus has been solely on the price of a medicine, and largely ignored the value these medicines are providing,” said Robert Zirkelbach, a spokesman for the Pharmaceutical Research and Manufacturers of America. “We’ve made tremendous strides in the fight against cancer—death rates are down, survival rates are up, and quality of life continues to improve.”

Yet critics increasingly question whether the industry’s U.S. pricing truly reflects the

value and R&D costs of medication, or simply what the largely unregulated market will bear. In most other countries, including Canada and European nations, single-payer health-care systems bargain hard with pharmaceutical companies, sometimes refusing to pay for drugs they deem unreasonably expensive. As a result, prices are often far lower in these markets.

The U.S., by contrast, finds it hard to say no. “The U.S. has always taken a very hands-off attitude, that patients are going to have access to new medical treatments regardless of the cost,” said David Howard, a professor of health policy and management at Emory University’s Rollins School of Public Health. For a big payer like Medicare to refuse to cover a drug would be “a highly unprecedented situation,” he said.



In an editorial published in the Mayo Clinic’s medical journal, the doctors focus attention on the financial burden to patients, saying the out-of-pocket costs are bankrupting many just as they’re fighting a deadly illness. Pictured, downtown Rochester, Minn., where the Mayo Clinic is located. *PHOTO: ELIZABETH NIDA OBERT/THE ROCHESTER POST-BULLETIN/ASSOCIATED PRESS*

The U.S. market is highly fragmented, with many different parties, from employers to insurance companies to federal and state governments, paying for health care. That leaves drug buyers without the bargaining clout of single-payer systems in other countries.

Some U.S. payers are getting tougher with drug companies, demanding large discounts and more evidence that drugs are clinically effective enough to justify their price. They’ve also steered patients and doctors to more affordable medications by setting lower copayments for cost-effective drugs.

But in their Mayo Clinic editorial, the physicians say much more could be done to control prices. They recommend allowing Medicare to negotiate pricing directly with

pharmaceutical companies, something the federal insurance program is barred from doing under a 2003 law. That law leaves the negotiating to private insurance companies and pharmacy-benefit managers that administer the Medicare drug benefit—a policy critics say deprives Medicare of the ability to use its buying power to drive down prices. The Centers for Medicare and Medicaid Services declined to comment on the physicians' recommendation.

The doctors also propose changing U.S. law to allow patients to import cancer drugs for personal use from other countries including Canada; reforming the patent system to make it more difficult to prolong product exclusivity; and using better regulation to prevent branded pharmaceutical companies from striking any deals with generic-drug companies that would delay the market launch of lower cost generics. The editorial also links to a petition seeking signatures in support of the proposals.

Members of Congress and other officials have voiced support for some of these measures in the past. Sens. John McCain (R., Ariz.) and Amy Klobuchar (D., Minn.) have supported legislation that would allow consumers to import prescription drugs from Canada, a proposal that is popular with many elderly voters. And many Democrats, including President Obama, support giving Medicare the right to negotiate prices.

Others have called for the pharmaceutical industry to justify rising prices by disclosing more about its R&D and manufacturing costs. Legislators in states including California and North Carolina have introduced legislation recently calling for these disclosures. The California bill calls for a detailed breakdown of costs including clinical trials, regulatory expenses, manufacturing, acquisition costs, and others, for drugs that have an annual wholesale price of \$10,000 or more.

—Joseph Walker contributed to this article.

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