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## Drug Industry: Higher Prices Would End Shortages

By Quentin Fottrell

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The pharmaceutical industry doesn't agree with President Barack Obama's prescription for averting the drug shortages that frequently leave cancer patients waiting for vital treatments. As was reported yesterday, Obama ordered the Food and Drug Administration to set up an early-warning system to prevent such medical shortfalls before they result in skyrocketing prices.

Drug companies, however, say a better way to prevent the shortages would be to remove restrictions on how much they can charge for generic medications. In other words: higher prices. The FDA does not have the authority to force companies to produce the cheaper generic medicines, but the prospect of higher profits could do the trick, says the Pharmaceutical Research and Manufacturers of America – an industry group.

If market forces set prices for older generic drugs it would boost supply, says **Devon Herrick**, senior fellow at the **National Center for Policy Analysis**, a non-profit think-tank. “The problem is government price controls,” he says. “Firms don't want to produce some of these drugs because there isn't any money in it.”

It's a trade-off between price and demand, **Herrick** says. Prices would rise initially, he says, but with increased competition they would also eventually fall as more companies entered the market for a particular drug and plateau. (In 2011, the **National Center for Policy Analysis** says it received approximately 1% of its annual budget from the pharmaceutical industry and says it receives no government grants.)

And it's not just the drug industry. Ann Woloson, executive director of Prescription Policy Choices – a non-profit, non-partisan group aimed at improving access to effective, safe and affordable drugs – says there could be room for some flexibility on price for these cheaper, life-saving generic drugs, but based on existing private sector prices she's not convinced that prices would necessarily rise — and then fall.

“Maybe the president’s order shows there is some middle ground, especially with improved reporting about shortages and price gouging,” she says. “As long as consumer protections aren’t shadowed as the FDA works to expedite its approval process, the order could actually provide the mechanism needed to start getting the supply issue addressed. ”

Herrick and Woloson agree 100% on one issue: It is matter of life and death. Zeke Emanuel, former White House advisor, said last August: “Of the 34 generic cancer drugs on the market, as of this month, 14 were in short supply. They include drugs that are the mainstay of treatment regimens used to cure leukemia, lymphoma and testicular cancer.”