



## Details Matter

### **FAH Policy Staff Examines Misleading Hospital Drug Prices Report**

*Moran Company Report was Paid for by PhRMA*

There they go again.

First, the insurers. Then, the PBMs. Now, its hospitals. Are patients next in line?

In a transparent attempt to shift the blame, a recent report released by the Pharmaceutical Research and Manufacturers of America (PhRMA) uses estimates and innuendo in an attempt to shift blame to hospitals for skyrocketing drug prices, ignoring the role its members play in the problem.

Details matter – and this report leaves out important information.

The “full analysis” - commissioned by PhRMA and completed by the Moran Group – claims to examine how much hospitals spend to acquire a drug, how much hospitals charge commercial payers for those drugs, and what those payers ultimately reimburse hospitals for drugs.

Instead, what we get is a two and a half page report based on 20 drugs. So just what are these drugs? The report fails to disclose that information, only referring to them by numbers. Look a little further and you discover that analysts “estimated” hospital’s acquisition costs. This is important because that is the primary data point in determining what a provider spends to acquire a drug and what it is reimbursed upon administering the drug.

Without knowing the drugs, it is almost impossible to know if the “estimated” price is accurate or representative of most hospital drug purchases.

A study released late last year by the NORC at the University of Chicago tells a different story than the findings in the PhRMA report by highlighting how rising drug costs are negatively affecting hospitals.

NORC examined both a subset of 26 drugs, all of which were identified in the report, as well as aggregate inpatient drug spending. The study not only identified a number of drugs where the unit price increased by more than 100 percent from FY 2013 to FY 2015, it also showed that, in aggregate, total inpatient drug spending in hospitals increased 38.7 percent on a per admission basis during that same two-year period.

The Altarum Institute’s Price Brief for August 2017 provides another important data point. The Policy Brief notes that “...the annual price growth for prescription drugs, at 2.5 percent, was the fastest growing

category.” That same report found that hospital price growth was half that of the drug industry during the same period.

Rising drug prices not only threaten patient access to drug therapies, but also challenge providers’ abilities to provide the highest quality of care. We hope to work with our colleagues across the health care sector to address this problem so patients continue to get the affordable, quality care they deserve.