

In the world of pharmaceutical drugs, generic universally used-to-mean inexpensive

In announcing our decision to retire from the weekly writing of this column we said that we would conclude with a series of articles identifying the concerns and principles that we have consistently turned to in our analysis of issues facing the agricultural sector of the economy. We also said that we would “write occasional columns when we encounter an itch that we just have to scratch.”

This past week Harwood ran into an itch that happens to match up with one of our analytical concerns.

Following an infection with COVID, Harwood developed something akin to a head cold that included a persistent cough and plugged up nasal passages. When it didn't clear in a couple of days, he went to the doctor's office to make sure that it wasn't something serious.

After doing the basic examination and asking a series of questions, the doctor said that it was probably an opportunistic bacterial infection that took advantage of the stress the viral infection put on his body. To eliminate the bacterial infection, the doctor prescribed a 10-day 20-pill regimen of the generic antibiotic doxycycline, asking if he had taken that medication before.

He had taken it as a prophylactic antimalarial on his visits to Senegal and it was inexpensive. So, he headed to the pharmacy to have the prescription filled. Imagine his surprise when the pharmacy tech rang up the prescription and it was \$63 and change after the insurance. Harwood asked her to check the GoodRX website for a coupon that would lower the cost. She found one that brought the cost down to a little over \$24.

When he got home, he turned to Google and searched for “doxycycline high price” and found a 2017 article by Andrew Bowser on the dermatologytimes.com website titled, “A 1854% price hike” (<https://tinyurl.com/47ynsu9z>). In that article Bowser cited a retrospective study that found that “The mean prescription cost for doxycycline hyclate increased from \$7.16 in 2011 to \$139.89 in 2013, amounting to an 1,854% increase...”

Bowser also wrote “Clinicians could have saved \$105.13 per prescription in 2013 by shifting from doxycycline hyclate to the least expensive oral tetracycline-class antibiotic, according to the authors' calculations. In turn, patient out-of-pocket costs would have gone down by \$5.77 for each prescription.”

One of the problems that Harwood and the doctor faced is that at the time the prescription was written, neither were aware of the cost of doxycycline compared to other oral tetracycline-class antibiotics.

When we hear about the high cost of prescriptions in the US, the pharmaceutical industry argues that the high costs are justified by their need to finance research into newer life-saving medications. There could be a bit of truth to that argument except in the case of high priced generic drugs, the manufacturers are not involved in medical research. They can charge a high price simply because there are a small number of manufacturers of many of these medications.

In economic terms, we call this market concentration, and it is a serious issue for farmers. It is an issue for their farming operations, but in the case of medications, it hits them unusually hard because unless their spouses work at a business with a good health insurance program, they are left to pay the full cost of health insurance coverage. As a result, many farmers choose a high deductible policy that leaves them the choice of paying the full cost of a medication like doxycycline or not filling the prescription.

Market concentration is a serious economic problem for farmers that goes well beyond a medication like doxycycline. In next week's column we will look at the market forces that result in farmers paying more for their inputs while receiving less for their production than they would in a competitive market.

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