GlobalData

As part of a growing tradition, the new year coincides with a hike in US drug prices, with more than 30 drugs seeing an increase in price. However, after receiving continued criticism from both the public and politicians, it appears that the industry is sticking within a 10% self-imposed price-hike limit, observes GlobalData , a leading data and analytics company.

This 10% cap appears to have become a social contract in the pharma industry since 2016, when Allergan CEO Brent Saunders pledged to police pricing, stating that Allergan would limit itself to one price increase per year and would only increase prices by single-digit percentages.

So far, this promise has held true. None of the price hikes seen in the new year have exceeded 9.9%. Pharma companies such as Teva, Cellectis, Insys, Synergy, and Supernus have all raised their drug prices while staying within this limit. In line with its own pledge, Allergan has raised the price of 18 medications by 9.5%.

Alice Stevens, Healthcare Analyst at GlobalData , comments: “As rising drug prices continue to be a major cause for discord in the US, the self-regulation of price hikes could help the industry avoid regulatory reform. With rising drug prices more constrained in 2017 and 2018, the pharma industry may be on its way to dodging federal regulation.”

However, this more conservative approach to price increases is merely a commitment between drugmakers, and only relies on the industry adhering to a pledge. As this is not an obligation, not every company is likely to follow suit. For example, during 2017, Pfizer and Celgene raised the prices of drugs by 19.8% and 27.5%, respectively.

Stevens continues, “It remains unclear how long this social contract will last. Although many companies seem to be willing to adhere to Allergan’s pledge at present, the need for higher revenues may see another rise in drug prices before the year is out.”