

# Investor's Business Daily

## Vast Web Of Federal Regulation Causing Drug Shortages

IBD Editorials

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**Health Care:** The number of prescription drug shortages shot up to a record 267 in 2011, nearly four times the level of just seven years ago, a new report says. It's a shortage made in Washington.

The number of drug shortages rose by 56 in 2011 from 211 in 2010, according to a study by the University of Utah Drug Information Service. As recently as 2004, just 58 drugs were in short supply.

"The inability to get crucial medicines has disrupted chemotherapy, surgery and care for patients with infections and pain," the Associated Press reports.

What happened? As is often the case, government price and output controls are largely to blame for shortages, which have killed at least 15 people since 2010.

Take Medicare. It limits the prices it pays for drugs. But in Medicare's Plan B, reimbursements to drugmakers often don't cover the cost of a drug — or shrink profits to such low levels it's no longer worth making it.

Of course, hospitals still need those drugs. A recent survey found more than half of hospitals routinely buy scarce drugs on the black market — often at exorbitant cost, but without improving the quality of care.

Just as bad, the Food and Drug Administration imposes strict controls on pharmaceutical companies' output.

As John Goodman of the National Center for Policy Analysis wrote recently: "(A) drug manufacturer must get approval for how much of a drug it plans to produce, as well as the time frame. If a shortage develops (because, say, the FDA shuts down a competitor's plant), a drug manufacturer cannot increase its output of that drug without another round of approvals."

But, as we know, central planning doesn't work.

The Drug Enforcement Agency also strictly regulates minute amounts of "controlled substances" used in making prescription drugs. These DEA and FDA rules are "rigid and inflexible," notes Goodman, adding greatly to costs and removing drugs from the market.

The result of all this overregulation: lots of drug stockpiling by hospitals anticipating shortages, which ironically causes further shortages and higher prices; and a booming black market for prescription drugs.

It costs nearly \$1 billion and takes 12 years to bring a new drug to market, according to Pharma, the drugmakers' industry group. The financial risk is huge.

Any surprise drugs are now in short supply? It will only get worse — much worse — under ObamaCare.

As a result of federal government meddling and its endless rules, Americans will see fewer new drugs, less innovation and lead shorter, less-healthy lives.