

This Is the Real Reason Why EpiPens Are So Expensive

Approximately 1 in 50 Americans are at risk of anaphylaxis, a severe and potentially life-threatening allergic reaction caused by such conditions as food allergies or exposure to the venom of bee stings. Fortunately, people at risk of anaphylaxis can get a prescription for an epinephrine autoinjector that goes by the brand name EpiPen. By self-injecting epinephrine at the onset of anaphylaxis they can be stabilized long enough to seek medical treatment.

In 2007, the cost was approximately \$100 (the medicine in the injector costs about \$1). But earlier this month the company that produces EpiPens, Mylar, raised the price 400 percent to \$600. After an outcry from the public, Mylar announced it would introduce a generic EpiPen for \$300. Because the FDA requires pharmacist to put an expiration date on the EpiPen of 12 months after the time of purchase, a new one has to be bought every year so patients have to pay hundreds of dollars a year for medication they may never even use.

Why are EpiPens so expensive? Because Mylar has a government controlled monopoly that prevents anyone else from making similar products. And yet, ironically, many economically uninformed people are blaming the rapid price increase on the free market. For example, as Sarah Kliff of Vox writes:

The story of Mylan's giant EpiPen price increase is, more fundamentally, a story about America's unique drug pricing policies. We are the only developed nation that lets drugmakers set their own prices, maximizing profits the same way sellers of chairs, mugs, shoes, or any other manufactured goods would.

What is most frustrating about this type of claim is the

failure to understand *why* drugmakers are allowed to set their own prices: government regulation. If drugmakers were truly like sellers of chairs and shoes, the price would be set by the market. Instead, they are allowed to create monopolies through government regulation. If EpiPens were treated more like chairs they'd be much less expensive.

The brilliant psychiatrist and polymath Scott Alexander has a wonderful thought experiment that illuminates this point and explains why chairs are cheap and EpiPens are expensive:

Imagine that the government creates the Furniture and Desk Association, an agency which declares that only IKEA is allowed to sell chairs. IKEA responds by charging \$300 per chair. Other companies try to sell stools or sofas, but get bogged down for years in litigation over whether these technically count as "chairs." When a few of them win their court cases, the FDA shoots them down anyway for vague reasons it refuses to share, or because they haven't done studies showing that their chairs will not break, or because the studies that showed their chairs will not break didn't include a high enough number of morbidly obese people so we can't be sure they won't break. Finally, Target spends tens of millions of dollars on lawyers and gets the okay to compete with IKEA, but people can only get Target chairs if they have a note signed by a professional interior designer saying that their room needs a "comfort-producing seating implement" and which absolutely definitely does not mention "chairs" anywhere, because otherwise a child who was used to sitting on IKEA chairs might sit down on a Target chair the wrong way, get confused, fall off, and break her head.

(You're going to say this is an unfair comparison because drugs are potentially dangerous and chairs aren't – but 50 people die each year from falling off chairs in Britain alone and as far as I know nobody has ever died from an EpiPen malfunction.)

Imagine that this whole system is going on at the same time that IKEA spends millions of dollars lobbying senators about chair-related issues, and that these same senators vote down a bill preventing IKEA from paying off other companies to stay out of the chair industry. Also, suppose that a bunch of people are dying each year of exhaustion from having to stand up all the time because chairs are too expensive unless you've got really good furniture insurance, which is totally a thing and which everybody is legally required to have.

And now imagine that a news site responds with an article saying the government doesn't regulate chairs enough.