

The Cash Pharmacy Model May Effectively Lower Prescription Drug Prices

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Prescription drug spending per capita is higher in the United States than anywhere in the world.¹ In 2015, an estimated 17 percent of overall personal healthcare spending was on prescription medications.² High prices of prescription drugs hinder adherence and result in poor health outcomes, particularly among lower-income individuals.³ Several independent pharmacies have transitioned to a cash model in an attempt to reduce overhead costs and protect their ability to set prices, while improving ease of access to prescription medications.

The fundamental issue with drug pricing is a lack of direct interaction between buyers and sellers. In other sectors of the economy, market-based interactions force companies to compete with one another to provide buyers with better products and services at lower prices. When it comes to pharmaceuticals, third party policies play a large role in drug prices. When an insurer is paying the bill, buyers are insulated from the costs of their purchases, disincentivizing them to choose less expensive options; dramatically higher costs drugs may be chosen by patients even if the drug offers only marginal benefits compared to cheaper options.⁴ Insulating patients from the cost results in prices that patients would be unwilling to pay directly. Reintroduction of direct cash pricing could increase incentives for cost conscious shopping for prescription medications.⁵

Ortho Dermatologics, formerly known as Valeant Dermatology, has created an online pharmacy (Dermatology.com) that offers their dermatology products at cash prices. A dermatologist may prescribe the most appropriate medication for a patient who can get that prescription filled without the paperwork, hassles, or denials associated with obtaining insurance approval. The advertised benefits for patients include convenience, home delivery, and transparent and equal pricing regardless of insurance status.

In order to assess the validity of claims that the cash pharmacy model can reduce costs to patients in a dermatology setting, we sought to compare prices for the online pharmacy's full inventory to a chain store discount program with which many consumers are familiar (Walmart prices on GoodRx.com). For eight of the nine prescription medications, prices were less costly on the online pharmacy (Table 1); Two were not available via the chain store.

Cash pharmacies may be an affordable alternative for patients who require certain dermatology medications. The model rewards patients who select the most affordable medication that fulfills their needs. Patients who wish to purchase more expensive medications can do so, but they face the cost of that decision. Widespread adoption of the cash model may result in competition that lowers prices for everyone.⁴

TABLE 1.

Price Comparison Between an Online Cash Pharmacy and Walmart Prices on GoodRx

Medication	Cash Pharmacy Price ^a	Walmart GoodRx Price	% Difference ^b
Retin-A Cream	\$95	\$101.75	+7.10
Retin-A Gel	\$95	\$101.75	+7.10
Benzamycin Topical Gel	\$75	\$80.75	+7.67
Altreno Lotion	\$115	\$122.75	+6.74
Efudex Topical Cream	\$85	\$71.01	-16.46
Aldara Cream	\$85	\$91.25	+7.35
Hylatopic Plus	\$75	\$80.75	+7.67
TETRIX Cream	\$75	N/A	N/A
Atopiclair Nonsteroidal Cream	\$75	N/A	N/A
Locoid Lipocream Cream	\$75	\$80.75	+7.67
Biafine Topical Emulsion	\$50	\$54.50	+9.00

^aPrices are listed in USD

^bPositive values indicate higher prices on GoodRx, negative values indicate lower prices on GoodRx.

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Although lower prices are enticing, ethical concerns surrounding this model warrant consideration and parallel those associated with concierge/cash-only dermatology practices. Refusal to accept insurance restricts the pool of patients who can benefit, specifically excluding those who depend on insurance to afford their medications, potentially further reducing access to medications for socioeconomically disadvantaged patients. The cash model could also discriminate against the sickest patients who would have to pay out-of-pocket for the most medications. Dermatologists must consider the impact that cash pharmacies can have on their patients.

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