

The Price of Life: Strategy, Power, and the Actual Cost of Medicine

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Medicine containers on desk (Source: Magnific.com)

The Pharmaceutical Industry: One Market, Many Pricing Games

Look at what drugs cost, and the patterns fall apart quickly.

A single dose of the gene therapy Zolgensma costs USD 2.1 million ($\approx$ Rp33.6 billion)^[1]. A year of Keytruda, one of the world's best-selling cancer drugs, runs about USD 150,000–200,000 ($\approx$ Rp2.4–3.2 billion)^[2] in high-income countries. And a dose of oral polio vaccine, bought through UNICEF with Gavi support, can cost 10 US cents ($\approx$ Rp1,700)^[3].

Manufacturing cost explains part of that gap. Scientific complexity explains a bit more. The rest comes down to strategy, market structure, and who is doing the buying.

The Law of Pharmaceutical Pricing, Logical but Not Ethical?

The first rule of drug pricing surprises most people outside the industry. Cost matters, but it doesn't set the price. Strategy does. A price reflects what the company is trying to achieve, the kind of market it sells into, and how power is split between buyers, regulators, and suppliers.

Most companies take one of three postures: growth, survival, or access. Growth companies chase profit with premium, value-based prices. Survival companies fight on cost and volume, usually on thin margins. Access-focused players, mostly in vaccines and global health, care about how many people they reach, and they use tiered or subsidized prices to get there.

R&D costs? Secondary. So is almost everything else.

Big Pharma's Power Play on Profit, Survival, and Access

Oncology shows this most clearly, because the price is tied to whether a patient lives. Merck's Keytruda brings in more than USD 25 billion ($\approx$ IDR 400 trillion) a year. By most estimates, making it costs a small fraction of the list price. The price is pegged instead to the economic value of extra years of life in a wealthy health system. Insurers pay. Patents keep competitors out. People place enormous value on survival. So, the price has little to do with chemistry. What's being sold is time.

Curative gene therapy pushes the same logic to its limit. Novartis prices Zolgensma at about USD 2.1 million for one infusion. The reasoning: if a single treatment replaces decades of chronic care, the company can charge for those decades on day one.

In effect, years of future healthcare spending get squeezed into one payment. People argue hard about whether that's ethical. As economics, though, it holds together. In rare diseases, where the strategy is growth, the price isn't about recovering costs. It's about capturing lifetime value.

Then the patent expires, and the logic falls apart fast. Other manufacturers launch therapeutically equivalent versions, the generics, and a near-monopoly becomes a commodity market. Lipitor is the classic case. In the US, atorvastatin, the molecule behind the brand, once sold for more than USD 5 a tablet. After generics arrived, the price dropped about 95%, to roughly USD 0.31^[4].

This is where the survival strategy lives. Once equivalent products are everywhere, nobody asks how much value they can extract. The questions become how cheaply you can make the drug, how well you can get it to market, and whether you can hold on to volume. Plenty of companies spend their whole existence here.

Without exclusivity, price becomes a tool for staying alive. Scale matters more than any premium. So do efficient plants, a broad portfolio, and smart procurement.

Vaccines play by different rules. Medicines are usually sold to patients or insurers. Vaccines are mostly bought in bulk by governments and global agencies, so the price gets weighed against a whole population rather than one patient.

That changes the question from what someone is willing to pay to what a budget can absorb. The gaps can be huge. Pfizer's pneumococcal vaccine, Prevnar 13, costs about USD 200 per dose in the United States^[5]. In Gavi-supported countries, the same vaccine sells for USD 2.90–3.30^[6]. That's 60 to 70 times cheaper. Not a discount, either. A deliberate choice, with prices set by what each country can pay and how badly it needs the vaccine.

In this market, the buyer with the most say over price isn't a drug company. It's UNICEF. Its bulk purchasing has pushed prices down far enough to vaccinate hundreds of millions of children^[7].

Indonesia: Where Pricing Power Meets Market Constraints

Bio Farma, Indonesia's state-owned vaccine maker, sits in its own category. It doesn't compete on innovation or premium prices. It competes on reliability, scale, and low cost.

Its vaccines reach more than 150 countries, and UNICEF is a long-standing customer^{[8],[9]}. The model is straightforward: thin margins, high volume, long contracts.

Its prices aren't set on commercial grounds alone. National goals come into it as well: health security, building a domestic industry, Indonesia's standing abroad. COVID-19 put that approach to the test. Indonesia combined vaccines sourced globally with ones made at home, which helped it secure supply and keep prices under control while global markets were in turmoil.

Indonesia as a whole is a good place to watch pricing under pressure. JKN, the national health insurance scheme, covers more than 260 million people and spends an estimated USD 8–9 billion a year^[10]. Its reimbursement ceilings more or less decide what a drug can cost.

One study tracked what that meant between 2013 and 2022. Amlodipine 10 mg fell from Rp440 to Rp70 per tablet, an 84% drop. Simvastatin 10 mg went from Rp180 to Rp68, down 62%^[11]. Companies accept those margins because the prize is access to one of the largest single-payer markets anywhere. Staying out isn't really an option.

The Real Price of a Drug

So, the pharmaceutical industry isn't one market. It's several economies running side by side, each with its own rules.

In one, companies charge premium prices to get the most out of their innovations. In another, they fight on cost because their products have become commodities. In a third, global agencies and manufacturers work together to reach as many people as possible at the lowest price they can manage.

They exist together. They don't merge.

Which brings me to the uncomfortable part. A drug's price never comes from production cost alone. It also depends on who holds power, who controls demand, and what the company wants to become.

Cost may set the floor. Strategy sets the ceiling. Drug pricing isn't a scientific calculation. It's a strategy you can see, written in numbers, enforced by how the market is built, and paid for by all of us.

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