Dynamic Chiropractic

Why Are U.S. Drug Prices So High?

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It's no secret that average costs of prescription drugs have risen dramatically in the past decade. According to the Kaiser Family Foundation, average retail prices for brand-name drugs in the United States more than doubled between 1990 and 2000, from $27 in 1990 to $65 in 2000. The obvious question is: Why?

In August 1997, the Food and Drug Administration (FDA) changed its policy on radio and television advertising with regard to pharmaceuticals. Previously, while drug makers were allowed to advertise their products, they were required to include a long list of side-effects and potential problems associated with each drug. The new revisions allowed companies to explain their products' explicit purposes on commercials and tout their benefits, and required them to include information only on the drugs' main risks, not all known side-effects. If a consumer wanted to know more about a particular drug, the manufacturer simply had to include a toll-free phone number or Internet address in the ad.

The amount of money that has been spent promoting drugs since the new FDA regulations went into effect is staggering. In 1996, the drug industry spent $791 million on mass media advertising. Four years later, that number more than tripled to $2.5 billion. All told, the U.S. drug industry spent $15.7 billion on advertising in 2000, from running ads in trade journals, to airing commercials on the radio and television, to handing out free samples of new products to doctors.

A report released by the National Institute for Health Care Management in 2001 highlighted the effect drug advertising has had on the way U.S. health care providers and patients choose which drugs to take or prescribe. Between 1999 and 2000, retail spending on prescription drugs increased almost $21 billion. Of the approximately 9,000 drugs on the market at that time, the 50 most heavily advertised drugs accounted for 47.8 percent of the spending increase. A similar report published by the Kaiser Family Foundation found that while average drug prices in the U.S. increased every year throughout the 1990s, they increased at a higher rate once the FDA relaxed its rules on advertising. From 1990 to 1996, the average retail prescription price rose 8.1 percent per year. From 1997 to 2000, however, prices increased by an average of 9.7 percent, and the biggest single-year increase (13.3 percent) occurred between 1998 and 1999, when the U.S. drug industry implemented a series of large-scale marketing campaigns for new drugs.

Drug Prices, United States vs. Canada (Figures converted to U.S. dollars)		
Drug (condition)	U.S.	Canada
Mirapex (Parkinson's disease)	$ 263	$ 157
Celexa (depression)	$ 253	$ 149
Diovan (high blood pressure)	$ 253	$ 149
Oxazepam (insomnia)	$ 70	$ 13
Seroquel (insomnia)	$ 124	$ 33
Campath (cancer)	$ 2,400	$ 660

The most heavily advertised drug in the U.S. in 2000 was Vioxx, used to treat arthritis. Merck,

Vioxx's manufacturer, spent $161 million promoting the drug; not surprisingly, the sales of Vioxx quadrupled, reaching a record $1.52 billion in 2000 alone. Retail sales of all prescription drugs in 2000 totaled more than $131 billion, making pharmaceuticals the most profitable U.S. industry that year.

While drug costs in the United States continue to spiral out of control, other countries have adopted policies to keep prices in check. One nation leading the way in price regulation is Canada, which had the second-highest average price for pharmaceuticals until 1987. Passage of the Patent Act that year established an organization known as the Patented Medicine Prices Review Board (PMPRB), which was charged with overseeing the prices of all patent drugs sold in the country. Since then, average prices for patented medicine have risen less than 1 percent per year - far less than the increases seen in the U.S. over the same time.

The PMPRB ensures that the prices of patented drugs are not excessive by controlling introductory drug prices. Specifically, it sets guidelines and reviews drug prices; tracks the price trends of patented drugs and the research and development investments made by pharmaceutical companies; and helps to inform and educate the general public about drug prices. Prices of non-patented drugs (such as generics) are not regulated by the PMPRB.

Before a patent drug can be sold in Canada, a pharmaceutical company submits the price of the drug to the board for review. The board uses several tests to determine whether the cost is excessive, including the Reasonable Relationship Test, which considers the association between the strength and price of a medicine in the same or comparable dosages; the Therapeutic Class Comparison Test, which compares the prices of drugs with those that are clinically equivalent and are sold in the same markets at prices the PMPRB considers not excessive; the International Price Comparison Test, which compares the average transaction price with the publicly available transaction prices of the same medicine sold in seven other countries (France, Germany, Italy, Sweden, Switzerland, the United Kingdom and the United States); and the measurement in change of the consumer price index (CPI) over a specific period of time, which compares the average price of a drug with the CPI-adjusted price.

If the price of a drug is found to be too high, a public hearing is held. After the public hearing, if the board finds that the price of the drug is indeed excessive, it may order the company that produces the drug to lower the price, or take other action. Usually, however, drug companies will lower the price of their product on a voluntary basis.

According to Dr. Allen Detsky, a pharmacoeconomist at the University of Toronto, the PMPRB has saved Canadians untold millions in drug costs over the years: "They look at the price of the drug, and they say, 'You know what? We have no idea what the long-run costs of development are, but they can't possibly be that high,'" Detsky said. And since American drug companies continue to sell their products in Canada despite the board's limitations, "It tells you that the true long-run cost of production must be way lower than the American price."

So, isn't it about time for caps on what pharmaceutical companies can charge U.S. consumers for drugs? How is it that chiropractic is being blamed for the high cost of health care, when it should be obvious that the price of drugs in the U.S. is the real culprit? And more importantly, isn't it time for more serious consideration of chiropractic and other nonpharmaceutical options for ensuring patients' wellness, particularly considering the high costs of some of these drugs?

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NOVEMBER 2003