

Americans are getting more prescriptions, fueling drug cost increase

Many Americans complain about the high cost of prescription drugs and some members of Congress are trying to use federal legislation to curb the skyrocketing prices. However, patients themselves are driving this price trend by rushing to buy more and more drugs, including new ones that hit the market every month.

That's the conclusion of a new University of Michigan study which found a dramatic rise in the utilization of prescription drugs, especially newly introduced ones, is the biggest reason for double-digit increases in the overall cost of prescription drugs for American workers -- **not** inflation in the price of established drugs.

Managed care insurance plans designed to contain health care costs are actually seeing the biggest jumps in prescription drug costs, as much as 35% in two years, due to their members' rush on prescriptions for existing and new drugs. In the same period, traditional insurance plans saw a 17% rise in spending, almost all from the use of new drugs.

The study, published in the July issue of the *American Journal of Managed Care* by researchers from the U-M Medical School, School of Public Health and College of Pharmacy, looked at data from a single large national employer that offers a variety of insurance plans and prescription coverage options to its employees. The data, collected between 1996 and 1998, represent the prescription costs for 44,228 hourly and 75,433 salaried employees nationwide.

Though the data are not representative of the country as a whole, the study offers a unique insight into the factors that contribute to overall prescription drug spending, the impact of new products versus existing ones, and, for the first time, the differences in spending among different insurance plan types. It also confirms other, earlier findings on the impact of the general increase in utilization, as compared with the increase in product prices.

"As our nation continues the debate over federal prescription drug benefits, price controls and the impact of drug costs on insurance premiums, we hope these data will help the general understanding of what's fueling drug cost increases," stated lead author Michael Chernew, Ph.D, associate professor of health management and policy and of internal medicine.

"And from what we can see," he continued, "the increases for employed adults are coming more from the demand for prescription drugs than from simple price increases on existing drugs -- although this trend makes the prices of newly introduced products that much more important."

The study was funded by the employer whose data were used, and not by the pharmaceutical or health insurance industries or their representatives.

SOURCE: "Prescription Drug Use Driving Jump in Costs," University of Michigan Health System, July 14, 2001.