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Drug Spending Grows Nearly 19%

By ROBERT PEAR

WASHINGTON, May 7 — As an aging population coped with arthritis, diabetes and high cholesterol, spending on prescription drugs shot up 18.8 percent last year, to \$131.9 billion, a new study shows.

Two dozen products accounted for half the increase, which occurred not just because drugs are becoming more expensive but because doctors are writing many more prescriptions for higher-cost drugs, the study said. The study was issued today by the National Institute for Health Care Management Foundation, a nonprofit, nonpartisan group that conducts research on health care issues.

The trend will probably increase political pressure for new government benefits to help elderly people buy prescription drugs, but it also makes clear how costly such benefits could be. President Bush has proposed spending \$153 billion on drug benefits and unspecified "Medicare reforms" over the next 10 years, but Democrats say that sum is grossly inadequate, and the foundation's study may provide new ammunition to both sides.

The \$20.8 billion increase in spending "was attributable, in large measure, to the rising volume of prescriptions for the top-selling drugs," the study said. Researchers said more aggressive marketing by drug companies contributed to the growth.

The top sellers include Vioxx, an arthritis drug made by **Merck & Company**; Lipitor, a cholesterol reducer sold by **Pfizer**; Prevacid, an ulcer drug sold by **Tap Pharmaceuticals**; Celebrex, an arthritis medicine marketed by **Pharmacia** and Pfizer, and Glucophage, a diabetes drug made by **Bristol-Myers Squibb**. The increase in sales of these five drugs alone accounted for one-fifth of the entire increase in sales of prescription drugs last year, the study said.

The rate of increase in drug spending was about the same last year as in 1999, so the foundation estimates that drug spending rose 40 percent from 1998 to 2000.

That growth has pushed up health insurance premiums for individuals and families. It has contributed to increases in the cost of health benefits provided by employers. And it has driven up the cost of Medicaid, the federal-state program for the poor.

The report identified three factors contributing to the increase in retail spending on prescription drugs last year. It said that 42 percent was attributable to an increase in the number of prescriptions written by doctors and filled by pharmacies.

At the same time, it said, a shift toward the use of more expensive drugs accounted for 36 percent of the overall increase in spending, while price increases accounted for the remaining 22 percent.

The 50 top-selling medicines accounted for 30 percent of all prescriptions last year, and these

medications cost almost twice as much as other drugs, the report said. The average price for a prescription for one of the top 50 drugs was \$67.15, while the average for other drugs was \$36, it said.

"Simply put," the study said, "Americans are demanding, and physicians are prescribing, a higher volume of medicines."

Alan F. Holmer, president of the Pharmaceutical Research and Manufacturers of America, the main trade association for drug companies, said, "This report should be hailed as good news" because it means that "more patients are getting more and better medicines."

Mr. Holmer said the report confirmed what many patients had discovered for themselves, that "prescription medicines are the best value in health care today, allowing patients to stay out of the hospital, off the surgery table, on the job and in the home."

Retail pharmacies filled 2.9 billion prescriptions last year, an increase of 7.5 percent over the 2.7 billion filled in 1999, the study said. But the 50 best-selling drugs posted a much sharper increase, as the number of prescriptions rose 18.6 percent, to 866.6 million, from 730.6 million.

The government recently predicted that drug spending would rise an average of 12 percent a year in the coming decade, as scientists unlock secrets of the human genome, the baby boom generation ages and the nation pours huge sums into biomedical research, filling the pipeline with potentially useful new drugs.

Drug companies say they are developing more than 350 medicines to fight cancer and more than 120 to treat or prevent heart disease and stroke.

Antidepressants were the best-selling category of prescription medicines last year, as they were in 1999. Retail sales of antidepressants totaled \$10.4 billion in 2000, up 20.9 percent from the previous year.

The average price for a prescription of antidepressants was \$68.07 last year, up from \$63.28 in 1999. The report said this change "reflects a rise in the price of individual drugs, but also the fact that pharmacies are dispensing more of the more expensive antidepressants such as Paxil, Celexa and Wellbutrin." These drugs, it said, are 50 percent to 75 percent more expensive than other antidepressants.

Comparing the number of prescriptions filled in each of the last two years, the study found that retail pharmacies dispensed 42 percent more Celebrex, 32 percent more Lipitor, 31 percent more Prevacid, 30 percent more Viagra (for impotence), 71 percent more Enbrel (for rheumatoid arthritis) and 74 percent more Singulair (for asthma).

Nancy Chockley, president of the National Institute for Health Care Management Foundation, said: "The recent rise in pharmaceutical spending is due, in large measure, to the growth in sales of a relatively small number of medicines. Most of these drugs are the blockbusters many Americans have come to know by name and see advertised more and more."

More aggressive marketing of prescription drugs to consumers and doctors has stimulated a major increase in sales, in part because consumers learn of new remedies and ask their doctors for prescriptions, researchers said. Better insurance coverage for drugs has also contributed to the trend, by making consumers somewhat less sensitive to drug prices.

Nineteen drugs had retail sales exceeding \$1 billion last year, up from 15 such drugs in 1999.

Leading the list of top sellers was Prilosec, the antiulcer drug sold by AstraZeneca, with sales of \$4.1 billion last year, up from \$3.6 billion in 1999.

While total sales of prescription drugs rose 18.8 percent last year, sales of the 50 best-selling drugs rose 29.7 percent, to \$58.2 billion, from \$44.9 billion in 1999, the report said.

Drugs to treat ulcers, heartburn and other gastrointestinal problems were second to antidepressants in overall sales. Retail sales of these medicines totaled \$9.5 billion last year, up 20 percent from 1999. Sales of Prilosec rose 12.4 percent, to \$4.1 billion last year, while sales of its main competitor, Prevacid, increased 37.6 percent, to \$2.8 billion.

The study was based on data from Scott-Levin Inc., a health care market research company in Newtown, Pa. The figures do not include mail-order sales. But the report said mail-order sales of prescription drugs totaled \$16 billion last year, up 26 percent from \$12.7 billion in 1999.

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