



Rx: Health Care FYI #31

Subject: *Informed consumers can lower prescription drug costs*

From: *Rep. Tim Murphy (PA-18)*

The problem: Prescription drug costs are rapidly increasing. One Pharmaceutical Benefit Management (PBM) company estimates that if consumers compared prescription drug costs over the Internet it could lower costs by 40%¹

Prescription drug usage and costs are increasing:

- Federal Medicare and Medicaid spending on prescription drugs was \$179.2 billion in 2003, more than quadruple the \$40.3 billion spent in 1990.²
- From 1994 to 2004, the number of prescriptions purchased increased 68% (from 2.1 billion to 3.5 billion), as the U.S. population grew only 12% over the same period.²
- Retail prescription prices increased an average of 8.3% a year from 1994 to 2004 (from an average of \$28.67 to \$63.59), more than triple the average annual inflation rate of 2.5%.²

Combining technology with the free market lowers cost:

- Advanced 21st Century technology has increased competition and consequently lowered costs for many sectors of the economy. Here are a couple examples:
 - Airline tickets: Consumers purchase nearly all airline tickets on the Internet at sites such as Travelocity.com or Expedia.com. By comparing costs at different online sites, flight prices have decreased from 23 cents per passenger mile in 1978 to 12 cents per passenger mile in 2003.³
 - Automobiles: In 2004, 64% of car consumers browsed online sites like Carmax.com and Autotrader.com to check prices before they bought a car.⁴

¹ Center for Health Transformation. Remarks by Newt Gingrich at the National Press Club. Transforming Medicaid. MedImpact. August 2005.

² Kaiser Family Foundation. Prescription Drug Trends. November 2005.

³ Statement of Stephen Morrison and Clifford Winston, hearing before the Subcommittee on Aviation, Committee on Transportation and Infrastructure, September 28, 2005.

⁴ JD Power and Associates. Car Dealers Feel Net Effect. June 2004.

States are already posting prescription drug costs online:

- Michigan: The State Department of Community Health's website provides consumers with the average prices for the top 25 most commonly used prescription drugs in the state. The prices are comparable to what a cash-paying customer without insurance would pay. The website also contains links to three commonly used discount programs for Michigan residents to save on prescription drugs. The website is available at: <http://www.michigan.gov/mdch/0,1607,7-132--117767--,00.html>
- Florida: The Office of the State Attorney General provides a new website where consumers are able to compare any of the state's 50 most popular drugs by county, city or zip code. The website is available at: www.MyFloridaRx.com.
- Maryland: Offers "The Drug Price Finder," a new interactive website sponsored by the Office of the State Attorney General that lets consumers find the retail prices each pharmacy in the state charges for 25 of the most commonly-used prescription drugs. The website is available at: <http://www.oag.state.md.us/drugprices/>.
- Arizona: Features a prescription drug calculator in the Office of the State Attorney General that contains the lowest and highest price for 20 prescription drugs reported by approximately 800 pharmacies in Arizona. The website is available at: http://www.azag.gov/rx/rx_drug_cost_search.php.
- New Mexico: The Office of the Attorney General provides a website of 100 of the most frequently prescribed drugs in the state for price comparison. Four times a year, New Mexico pharmacies are surveyed and asked to provide prices for the drugs for the list. The lowest price and the highest price obtained by the survey is posted and a database of information about pharmacy location, hours, and services is available for those pharmacies participating in the survey. The website is available at: http://www.ago.state.nm.us/protectcons/prescripdrugs/protectcons_drugs.htm.

The Federal Government Role:

- The National Library of Medicine of the National Institutes of Health (NIH) provides drug information on thousands of prescription and over-the-counter medications. This is available online at: <http://www.nlm.nih.gov/medlineplus/druginformation.html>.
- The Center for Medicare and Medicaid Services (CMS) provides an online "Medicare Prescription Drug Plan Finder" that provides comparisons of the new Medicare Part D prescription drug coverage available in all 50 states at www.medicare.gov.

Recommendations:

- Ensure that any existing or new state government website that provides prescription drug comparisons is accurate, consumer friendly and easily accessible.
- Support state public-private partnership programs to establish online cost and information models for prescription drugs in every state. These models can become the basis for a national system of drug pricing information that is valuable to consumers.
- Review current state efforts to post prescription drug costs online to determine their effectiveness in informing consumers and lowering the cost of prescription drugs.