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2003 U.S. Prescription Drug Prices 81 Percent Higher Than in Other Wealthy Nations

Data Brief No. 7

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Findings

Prescription drug makers' prices in the United States continued rising rapidly in 2003 relative to prices for the same drugs in other wealthy nations. This is clear from analysis of international data recently released by the Canadian Patented Medicines Prices Review Board.¹

Brand name drug makers' 2003 prices in the U.S. rose to 81 percent above the average prices charged in Canada and six wealthy western European nations, we find, calculating from Canadian government data.

As Exhibit 1 shows, the U.S. price excess above the 7-nation average grew by over one-third in only three years, from 2000 to 2003.^{2 3}

Exhibit 1

Brand Name Prescription Drug Makers' U.S. Prices Rising farther above 7-Nation Average, 2000-2003

U.S. Price Excess

2000 60%
2001 73%
2002 77%
2003 81%

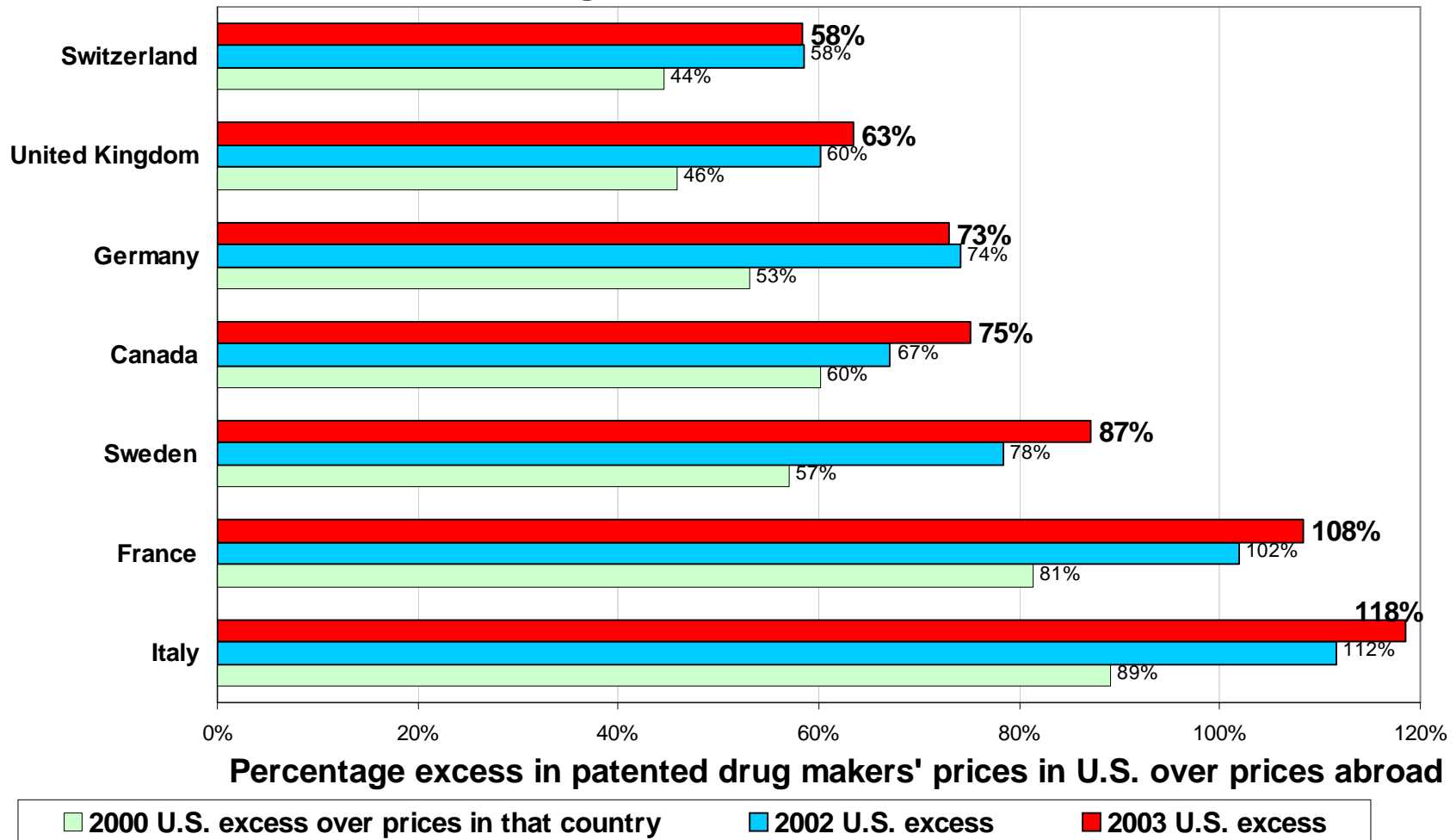
The price gap has grown despite the decline in the dollar in 2003 against most of these other nations' currencies—a decline which makes foreign prices rise relative to those in the U.S. Of course, U.S. prices did rise at different rates relative to those in different countries. (See Exhibit 2.) In 2003, U.S. prices rose from 67 percent above Canada's to 75 percent above. U.S. prices also rose relative to prices in France, Italy, Sweden, and the United Kingdom.⁴

The overall price gap between the U.S. and the seven wealthy nations largely reflects differing public policies on drug pricing and costs. The U.S. government lets drug makers freely raise prices. Other nations limit prices and costs through price negotiations, across-the-board price cuts, reference pricing, profit caps, putting drug spending on a budget, and other methods.⁵

Recommendations

Claiming that high U.S. prices finance research, drug makers resist price cuts here. But, fearing price controls, drug makers already under-invest in breakthrough research. We conclude that high U.S. prices are clinically, financially, and politically unsustainable.⁶ We have described elsewhere how lower U.S. prices, combined with a higher volume of drug sales, can make drugs affordable for all U.S. patients and payers while protecting drug makers' revenue and research.⁷

Exhibit 2:
U.S. Brand Name Prescription Drug Prices
Continue Rising Farther Above Prices in Other Nations



Source: Health Reform Program calculations from Patented Medicine Prices Review Board 2000, 2002, 2003 reports ("Trends in Drug Prices and Expenditures" tables).

See last page for Notes.

NOTES

¹ Patented Medicine Prices Review Board (PMPRB), "Trends in Drug Prices and Expenditures," *2003 Annual Report*, Ottawa, Canada: The Board, June 2004, Figure 13, www.pmprb.com/english/view.asp?x=302&mid=291, posted 6 October 2004, accessed 19 October 2004. That report presents average prices for brand name drugs in seven nations relative to their prices in Canada. All U.S.-foreign price ratios here are Health Reform Program calculations from those Canadian government estimates and PMPRB reports for earlier years.

² Alan Sager and Deborah Socolar, "Lower U.S. Prescription Drug Prices Are Vital to Both Patients and Drug Makers—But Instead, U.S. Prices Have Been Rising Rapidly Relative to Those in Other Wealthy Nations," Data Brief 3, Boston: Health Reform Program, Boston University School of Public Health, 24 July 2003, www.healthreformprogram.org

³ The 81 percent excess in U.S. 2003 prices divided by the 60 percent excess in 2000 equals 135 percent.

⁴ Although Italy, Germany, and France all use the same currency, the euro, the gaps between U.S. prices and theirs grew at substantially different rates for brand name prescription drugs in this period. The U.S. price excess declined slightly relative to German prices in 2003, but rose in comparison with prices in Italy and France. Such differences among nations help show that the growth in the international price gap does not simply reflect fluctuating exchange rates.

⁵ See, for example, Vanessa Fuhrmans and Scott Hensley, "Drug Makers Are More Vocal Against Europe's Price Controls," *Wall Street Journal*, 13 December 2001; Vanessa Fuhrmans and Gautam Naik, "In Europe, Drug Makers Fights Against Mandatory Price Cuts," *Wall Street Journal*, 7 June 2002.

⁶ See, for example, Alan Sager and Deborah Socolar, "Lower U.S. Prescription Drug Prices Are Vital to Both Patients and Drug Makers—But Instead, U.S. Prices Have Been Rising Rapidly Relative to Those in Other Wealthy Nations," Data Brief 3, Boston: Health Reform Program, Boston University School of Public Health, 24 July 2003, www.healthreformprogram.org

⁷ See, for example, Alan Sager and Deborah Socolar, *Do Drug Makers Lose Money on Canadian Imports?* Boston: Health Reform Program, Boston University School of Public Health, 15 April 2004, www.healthreformprogram.org. See also A. Sager and D. Socolar, New Strategies Can Finance an Affordable and Comprehensive Medicare Prescription Drug Benefit, Pharmacists Planning Service newsletter, Winter 2004, www.healthreformprogram.org; A. Sager, *Americans Would Save \$38 Billion in 2001 If We Paid Canadian Prices for Brand Name Prescription Drugs*, invited testimony, 5 September 2001, U.S. Senate Committee on Commerce, Subcommittee on Consumer Affairs, <http://commerce.senate.gov/hearings/090501Sager.pdf>, www.healthreformprogram.org; A. Sager and D. Socolar, *A Prescription Drug Peace Treaty: Cutting Prices to Make Prescription Drugs Affordable for All and to Protect Research*, with State-by-State Savings, 5 October 2000, www.healthreformprogram.org; A. Sager and D. Socolar, *Affordable Medications for Americans*, Report for the Prescription Drug Task Force, U.S. House of Representatives, 27 July 1999, www.healthreformprogram.org.