

RISING DRUG COSTS BURDEN KENTUCKY—A FACT SHEET

The burden of prescription drug costs is rising rapidly. It varies widely among states. A report by the Health Reform Program at Boston University School of Public Health analyzes the states' burdens—and then outlines a way to win affordable drugs for all.

- **Drug cost burden** is the average share of income used for prescription drugs—retail drug spending (by patients and private or public insurance) divided by income. Spending reflects number of prescriptions filled and their average price.
- The 2002 US drug cost burden was 1.8% of personal income, up from 1.2% in 1998.
- The burden is highest in states with more poor, sick, old, and uninsured people.

Kentucky

- In Kentucky, the prescription drug cost burden in 2002 was 2.8%, 3rd highest among the states, and 50% above the US average.
- The **Kentucky** burden rose from 1.8% in 1998 (a 4-year rise of 56%). So by 2002, prescription drugs consumed fully 1% more of residents' incomes. Only two states (Tennessee and Missouri) exceeded a 1 percentage point rise, and two matched it.

What Underlies High Drug Cost Burdens?

The study found that differences in states' burdens are driven by three factors. The strongest influence is the average number of prescriptions used per person (*use rate*), and then average personal *income*. Prescription *prices* have less effect on differences in burden. That is partly because average prices vary least among the states.

Looking at the components of drug cost burden in 2002, **Kentucky** was

- 23% above average on drug spending, 2nd highest of the states
- 18% below the US average on income, 9th lowest
- 38% above the US average on use rate, 3rd highest of the states
- 10% below the US on the average price of prescriptions filled.

Many states with heavy drug cost burdens suffer high rates of illness and also have an older population—so their people tend to need more medications than the US average. Looking at a few indicators of need for prescription drugs, **Kentucky** was

- 8% above the US average on the share of residents age 65+
- 5% above, ranking 13th among states, on the rate of heart disease deaths in 2000.

Especially in states with serious health problems or more older people, slashing use isn't the way to lower burden.

Further, even where use rates are high, many people don't get the drugs they need—especially in lower-income states. An estimated 70 million Americans have no drug benefits. Many others with limited benefits or high co-pays also cannot afford needed prescriptions. This is another reason why it is hard to cut use without hurting people.

Cutting Drug Prices: The Only Practical Way to Reduce the Burden

WHAT – PRICE CUTS

- Many patients and taxpayers cannot afford to spend more for medications.
- Lowering drug cost burdens requires cutting use or prices.
- Trying to reduce this burden by slashing use is likely to harm vulnerable people.
- So efforts to cut drug prices seem vital—and increasingly likely.

WHERE – HIGH BURDEN STATES FIRST

- States with especially heavy drug cost burdens or where the burden is rising fastest will feel the most pressure to act politically to lower drug prices (if all else is equal).
- West Virginia, with its 2nd-ranked burden, passed a ground-breaking law to cut drug prices last spring. Maine did so in 2000—when it had the highest burden of any state on the Canadian border, where awareness of lower foreign prices first grew.
- But even where burdens are lower, drug costs and the urgency of reform are growing.

HOW – MAKE A PACKAGE DEAL

- Sharp price cuts would permit filling many prescriptions now unfilled. The industry would make up on volume much of the revenue lost to lower prices. Public programs could guarantee to preserve industry revenue, profit, and ability to fund research at current levels—and cover the very low cost of making more pills. Reforms to finance all needed drugs for all residents of a state or the US are surprisingly affordable.

How does this state compare?

Prescription drug cost burden and problems that contribute to it

<i>(figures are for 2002 unless noted)</i>	KENTUCKY	Rank among states	% above (or below) US avg	US average
Burden, 2002: Rx spending as % of personal income	2.8%	3	50%	1.87%
Burden in 1998	1.8%	2	50%	1.2%
Rx spending/ person	\$714	2	23%	\$579
Average Rx price	\$48.90	44	(10% below)	\$54.58
Avg. number of Rx /person	14.6	3	38%	10.6
Personal income	\$25,494	9 (1=low)	(18% below)	\$30,906
% over age 65, 2001-2002	13%	13	8% above	12%
Diabetic % of adults	6.7%	20	--	6.7%
Heart disease deaths per 100,000 residents, 2000	206	13	5% above	196
% uninsured, 2001-2002	12.9%	26	(13% below)	15%

Based on *Poorer States Face Much Heavier Prescription Drug Cost Burdens*, 14 July 2004, by Alan Sager, Ph.D., and Deborah Socolar, MPH, Health Reform Program, Boston University School of Public Health. The report, with data on all states, is at www.healthreformprogram.org Email asager@bu.edu / call (617) 638-4664. Email dsocolar@bu.edu / call (617) 638-5087.