2003 Drug Spending Up Despite Pressure to Cut Costs

By Ceci Connolly
Washington Post Staff Writer
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Drug spending in Canada and the United States rose 11 percent last year to $230 billion, accounting for nearly half of all worldwide sales, according to data released yesterday by IMS Health, an international consulting firm that specializes in monitoring the pharmaceutical industry.

Globally, the industry came close to breaking the "milestone threshold" of $500 billion in sales, despite increased pressure from patients, politicians and large corporations to constrain drug costs, said Murray Aitken, a senior vice president at IMS. "It bears reflecting that despite efforts to limit growth, the demand for the products continues to be very strong."

Familiar names continue to dominate the list of bestsellers. Cholesterol-lowering drugs Lipitor and Zocor, antidepressants Zyprexa and Zoloft, and heartburn medications Nexium and Prevacid each had sales in excess of $3 billion. Industry giant Pfizer was the only drug maker to have two medications -- Lipitor and Zoloft -- on the top 10 list.

For several years in a row, generic drugs have accounted for nearly 5 percent of total pharmaceutical sales.

Few industries can boast the sales trends seen in the pharmaceutical industry. Since the mid-1990s, drug manufacturers have enjoyed average annual sales increases of 10 percent.

Innovative treatments, new customers (primarily overseas), greater utilization and slightly higher prices contributed to another "robust" year, Aitken said. On the other side of the ledger, health care purchasers -- from governments to private employers -- have tried to rein in drug spending by shifting more of the cost onto patients.

"That is affecting people's behavior in a number of ways," Aitken said. "They may be more likely to take a generic alternative or they may decide not to have a prescription filled or they reduce their own doses" by cutting pills in half or skipping some.

At statehouses, in city halls and on Capitol Hill, pharmaceutical companies are facing rising anger over what many American consumers view as greed. Over the objections of the Food and Drug Administration, a few governors and mayors have begun helping constituents purchase medications from Canada, where the price can be 30 percent to 70 percent less than in the United States because of Canadian government price controls. A growing, bipartisan coalition in Congress supports changing the law to make drug importation legal.

The most recent sales figures offered ammunition to both sides.

Peter Morici, a business professor at the University of Maryland, said that with an aging population, prescription medications can serve as "a good alternative" to costly, more intrusive procedures such as surgery.

But Alan Sager, a director of the Health Reform Program at Boston University, said health care spending overall
continues to skyrocket, casting doubt on the notion that increased drug spending is reducing other medical costs.

Both academics agreed that Americans pay significantly more than patients in most other countries where governments negotiate lower prices. As Morici put it: "A hard reality is Americans subsidize drug usage around the world."

*Researcher Lucy Shackelford contributed to this report.*

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