

## **RISING DRUG COSTS BURDEN ALABAMA—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.

### **Alabama**

- **Alabama's 2002 drug cost burden was 2.4%, 7th highest of the states.**
- That was up from 1.6% in 1998. Alabama was one of the top dozen states in the additional share of income (0.8%) going to prescription drug costs in just four years.

### **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, **Alabama** was

- 5% above average on drug spending, 18th highest among the states
- 17% below the US average on income, 11th from the lowest
- 28% above the US average on **use rate, 4th highest** of the states
- 18% below the US, with the **lowest 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, **Alabama** was

- **33% above average in 2002 on share of adults with diabetes, ranking 1st**
- 9% below the national average in 2000 on the rate of heart disease deaths
- 8% above the US average on the share of residents over age 65.

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 2<sup>nd</sup>-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>	<b>ALABAMA</b>	Rank among states	% above (or below) US avg	US average
Burden, 2002: Rx spending as % of personal income	2.4%	7	27%	1.87%
Burden in 1998	1.6%	5	33%	1.2%
Rx spending/ person	\$609	18	5%	\$579
Average Rx price	\$44.80	50	(18% below)	\$54.58
Avg. number of Rx /person	13.6	4	28%	10.6
Personal income	\$25,548	11 (1=low)	(17% below)	\$30,906
% over age 65, 2001-2002	13%	13	8%	12%
Diabetic % of adults	8.9%	1	33%	6.7%
Heart disease deaths per 100,000 residents, 2000	178	28	(9% below)	196
% uninsured, 2001-2002	12.9	25	(14% 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](http://www.healthreformprogram.org) Email [asager@bu.edu](mailto:asager@bu.edu) / call (617) 638-4664. Email [dsocolar@bu.edu](mailto:dsocolar@bu.edu) / call (617) 638-5087.