

Let Them Eat Coke? ¹

Cocaine and Heroin Become Cheaper While Prescription Drugs Become Costlier

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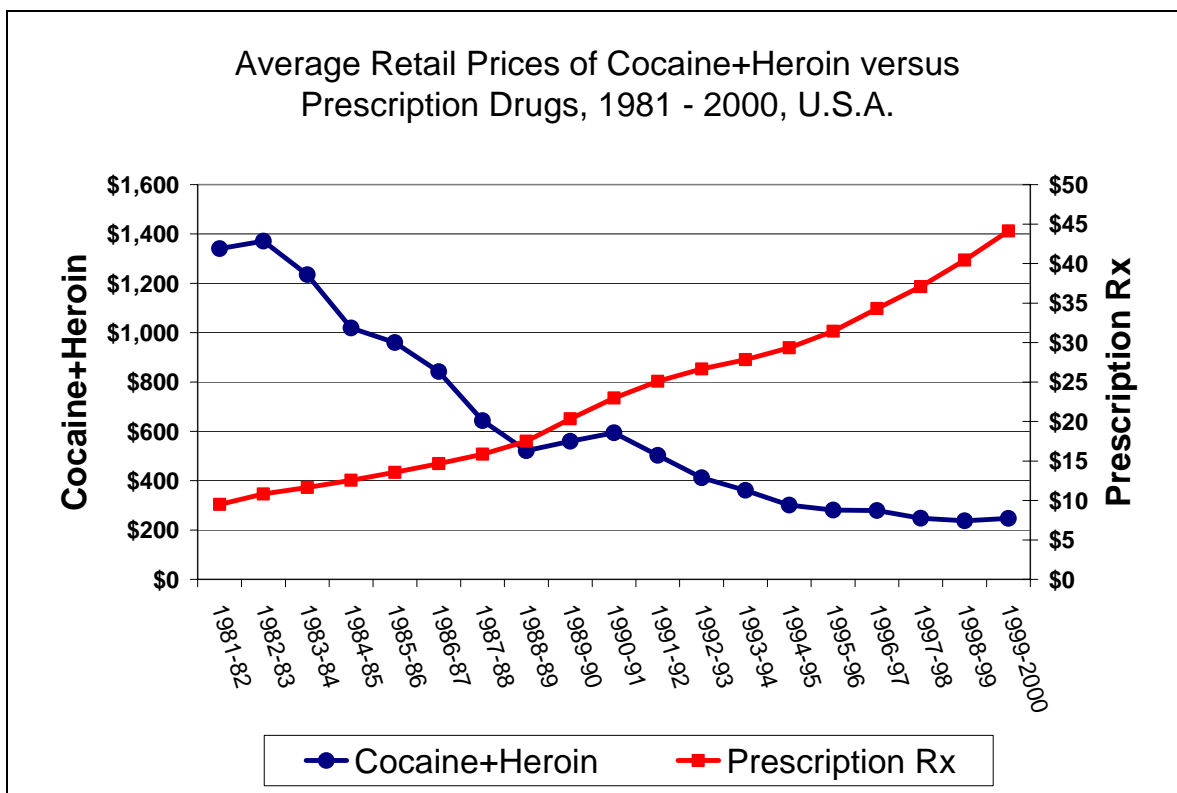
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Prices of heroin and cocaine have plummeted since 1981 in the U.S.A. while prices of beneficial prescription drugs have soared.

The average retail price of heroin and cocaine plunged from \$1,341 per pure gram in 1981 to \$247 in 2000, as the chart shows—a drop of four-fifths in 19 years. ^{2 3} Consequently, more people can now afford more of these illegal drugs.

During these years, the average retail price per prescription drug rose from \$9.50 to \$44.11, up 360 percent. ⁴ Needed medications are even harder to afford today. The average U.S. prescription price rose to \$53.92 in 2004, ⁵ up 22 percent in four years.

Adjusting for general inflation, ⁶ the two illegal drugs cost just one-tenth as much in 2000 as in 1981, while prescription drugs were two and one-half times as costly. ⁷



Value. These price trends do not appear to be justified by changes in the value of the drugs. Illegal drugs' prices for all years reflect full purity.

It is hard to say that the value of prescription drugs has risen as fast as their average price. Some new medicines, such as statins, bring new and important clinical benefits.⁸

Against this, some manufacturers have fudged or distorted evidence on prescription drugs' clinical value or safety, and have marketed their products inappropriately.⁹ Some patients therefore don't receive optimal medications. For example, the share of ambulatory patients with acute respiratory tract infections who wrongly received broad-spectrum antibiotics rose by 50 percent from 1991 to 1999.¹⁰

Innovation. Some claim that high U.S. prescription drug prices are essential to finance risky but innovative pharmaceutical research by U.S. drug makers.¹¹

But others assert that the connection between high prices and innovation is far from clear, and that paying large prizes for actually developing good new medications would be more effective.¹²

Prescription drug makers devote too little money to innovation. Timidly, they have sought to protect profits by relying excessively on me-too drugs, marketing, advertising, mergers, price increases, lobbying, and campaign contributions.¹³

Affordability. Falling prices of illegal addictive drugs cause all wealthy nations to suffer rising use. Other governments act to make needed prescription drugs, also, much more affordable for their citizens. Yet the U.S. government allows prescription drug manufacturers to charge the world's highest prices here,¹⁴ despite our nation's overwhelming buying power. Americans provide the world's medicine makers with almost one-half of their world-wide revenue.¹⁵

High prices prevent many Americans from filling their doctors' prescriptions, and make private and public drug coverage costlier. About one-quarter of us—75 million people—lack prescription drug insurance.¹⁶

Americans now face a choice: continue tolerating avoidable pain, disability, and premature death; spend much more for medications; or reform. Reform is essential. Medicare, Medicaid, HMOs, and insurers should together negotiate a peace treaty with prescription drug manufacturers.

Reform. To make medications affordable for all, U.S. prices should be cut sharply, perhaps to Canadian levels. This can be done in ways that guarantee drug makers' revenues and profits. First, the price cut would save about \$60 billion yearly—but the savings would be used to buy needed medications for people who can't now afford them.

Second, drug makers would also be paid the actual added cost of producing more pills. The real cost of making and dispensing one-quarter more prescriptions annually is only about \$15 billion. That's less than a year's growth in prescription drug spending.

This arrangement would sustain drug makers' profits at pre-reform levels. And all Americans would obtain the medications their physicians appropriately prescribe.

If our government won't negotiate with prescription drug makers, it should at least get out of the way and allow medications to be imported from other nations. That's clumsy and far from ideal. Still, rising imports did lower the prices of heroin and cocaine.

Americans who suffer for lack of affordable medications—or who struggle to pay for them—deserve low prices far more than do users of illegal drugs. The federal government was wrong to recently increase its seizures of safe prescription drugs imported from Canada.¹⁷ Our government should not ally itself with drug makers in their fight to keep U.S. prescription prices high.

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Notes

¹ Some think that, when told that the poor were starving for lack of bread, Marie-Antoinette said, “let them eat cake.” This is probably not true. (See, for example, Cecil Adams at http://www.straightdope.com/classics/a2_334.html or Mark Israel at <http://alt-usage-english.org/excerpts/fxletthe.html>.) Her biographer, Antonia Fraser, reportedly suggested that a similar comment was offered by an earlier French queen, Marie-Therese, the wife of Louis XIV. (See, for example, http://urbanlegends.about.com/library/bl_marie_antoinette.htm.)

² Abt Associates, Data on cocaine and heroine retail prices, 1981-2000. (Data provided by William Rhodes of Abt Associates.) We collapsed the quarterly data into calendar years and then smoothed the data for graphing purposes by taking moving two-year averages. The Abt data run from the first quarter of 1981 to the end of the second quarter of 2000. Generally, see Abt Associates, *The Price of Illicit Drugs: 1981 through the Second Quarter of 2000*, Prepared for the Office of National Drug Control Policy under HHS contract no. 282-98-0006, Task Order No. 23, October 2001. Prices are controlled for purity. We used the prices reported by Abt’s “new retail method.” Each period’s combined price is a simple average, not weighted by each drug’s market share.

³ Grossman and others employed a set of data from Abt Associates and found only a 50 percent or so drop in the price of heroin and cocaine. See Michael Grossman, Frank J. Chaloupka, and Kyumin Shim, “Illegal Drug Use and Public Policy,” *Health Affairs*, Vol. 21, No. 2 (March-April 2002), pp. 134-145. We employ a newer data set that was compiled by Abt using other methods.

⁴ Both brand name and generic drugs were included throughout. The average prices therefore reflect generic drugs’ rising market share. The average prescription drug prices were compiled from data published in *Pharmacy Times*, April issue (1981 to 1989) and from data prepared by IMS Health (1990-2000).

⁵ 2004 average price per prescription calculated from National Association of Chain Drug Stores data for retail pharmacies’ prescriptions and sales, provided by Kaiser Family Foundation, <http://www.statehealthfacts.org>, access confirmed 9 February 2006.

⁶ As measured by changes in the Consumer Price Index, U.S. city average, all items, annual prices. See U.S. Bureau of Labor Statistics, www.bls.gov.

⁷ A systematic comparison of current-dollar and constant 2005 dollar prices of prescription drugs and heroin/cocaine might be helpful.

	Current dollars		Constant 2005 dollars	
	Rx	Heroin/cocaine	Rx	Heroin/cocaine
1981-1982	\$9.50	\$1,341	\$19.67	\$2,777
1999-2000	\$44.11	\$247	\$51.03	\$286
% change	+ 464 %	- 82 %	+ 259 %	- 90 %

⁸ For a review of statins' value, see the discussion in David Steinberg and Antonio M. Gotto, Jr., "Preventing Coronary Artery Disease by Lowering Cholesterol Levels," *Journal of the American Medical Association*, Vol. 282, No. 21 (1 December 1999), pp. 2043-2050. Still, a diet rich in lipid-lowering foods was found to be as effective as statins. See David J.A Jenkins, Cyril W. C. Kendall, Augustine Marchie, and others, "Effects of A Dietary Portfolio of Cholesterol-lowering Foods vs. Lovastatin on Serum Lipids and C-reactive Protein," *Journal of the American Medical Association*, Vol. 290, No. 4 (23 July 2003), pp. 502-510. For a short summary of one view of the value of medications generally, see Scott Hensley, "Prescription Drugs are Worth The Cost, an Economist Argues," *Wall Street Journal*, 29 September 2003.

⁹ See, for example, Anna Wilde Matthews, "At Medical Journals, Writers Paid by Industry Play Big Role," *Wall Street Journal*, 13 December 2005; Joel Lexchin, Lisa A Bero, Benjamin Djulbegovic, and Otavio Clark, "Pharmaceutical Industry Sponsorship and Research Outcome and Quality: A Systematic Review," *British Medical Journal*, Vol. 326 (31 May 2003), pp. 1167-1176; Thomas Bodenheimer, "Uneasy Alliance: Clinical Investigators and the Pharmaceutical Industry," *New England Journal of Medicine*, Vol. 342, No. 20 (18 May 2000), pp. 1539-1544; and Gardiner Harris, "New York State Official Sues Drug Maker over Test Data," *New York Times*, 3 June 2004.

¹⁰ For example, when patients with acute respiratory tract infections (ARTI) received antibiotics, the share receiving broad-spectrum antibiotics rose from 24 percent to 48 percent from 1991 to 1999. But "there is little clinical rationale for their use." On the positive side, antibiotics were being used less frequently overall (dropping from 13 percent of visits for ARTI to 10 percent) but, on the negative side, they were being used even more inappropriately. Combining these two trends, 3.1 percent of ARTI patients received broad spectrum antibiotics in 1991 but 4.8 percent received them in 1999. That's a rise of over 50 percent. See Michael A. Steinman, Ralph Gonzales, Jeffrey A. Linder, and C. Seth Landefeld, "Changing Use of Antibiotics in Community-based Outpatient Practice, 1991-1999," *Annals of Internal Medicine*, Vol. 138, No. 7 (1 April 2003), pp. 525-533.

¹¹ See, for example, Alan Holmer, "What Price Innovation? An Investment for Better Health," Commonwealth Club, San Francisco, April 2002; and Arthur D. Little, "Examining the Relationship between Pharmaceutical Pricing and Innovation," 9 May 2002;

¹² James Surowiecki, "Push and Pull," *The New Yorker*, 20 December 2004.

¹³ Alan Sager, "Winning Durably Affordable Innovative Drugs: A Few Lessons from the Arguments over Importing Drugs from Canada," Symposium on U.S. and Canadian Pharmaceutical Policy, University of Connecticut Law School, 29 October 2004, *Connecticut Journal of International Law*, Vol. 20, No. 2 (Summer 2005), pp. 257-265.

¹⁴ See, for example, Alan Sager and Deborah Socolar, "2003 U.S. Prescription Drug Prices 81 Percent Higher than in Other Wealthy Nations," Data Brief No. 7, Boston: Health Reform Program, Boston University School of Public Health, 28 October 2004, www.healthreformprogram.org.

¹⁵ IMS Health, "IMS Reports 8 Percent Constant Dollar Growth in 2002 Audited Global Pharmaceutical Sales to \$400.6 Billion," www.imshealth.com, accessed 25 February 2003.

¹⁶ This includes all people who lack any health insurance, those with private insurance that excludes medications, and patients on Medicare who lack prescription drug coverage. Since we calculated this in 2000, Congress has enacted a new program for prescription drug coverage under Medicare but the number of people without any insurance at all has risen substantially. We assume here that these two forces offset one another. For the original calculations, see Alan Sager and Deborah Socolar, *A Prescription Drug Peace Treaty: Cutting Prices to Make Prescription Drugs Affordable for All and to Protect Research*, with State-by State Savings, Boston: Health Reform Program, Boston University School of Public Health, 5 October 2000, www.healthreformprogram.org.

¹⁷ Lisa Girion, “More Medicines from Abroad Seized,” *Los Angeles Times*, 11 February 2006; and Lisa Girion and Ricardo Alonso-Zaldivar, “Answers Sought on Medicine Seizures,” *Los Angeles Times*, 16 February 2006.