Rise of 'lifestyle' drugs straining health costs

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As more Americans use more drugs, taxpayers may pick up a major tab.
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Anyone who reads a newspaper or watches TV commercials knows that the pharmaceutical industry ushers in dozens of new drugs each year. Some are "lifesavers" that battle AIDS. But many are a more controversial set called "lifestyle" drugs that Mellow out a fidgety kid or promise a good night's sleep. As more Americans purchase more of these wonder drugs - some of which can cost $10 a pill - the rising costs are taxing an already strained health-care system. Last year, employers and health-care providers saw their health-care costs rise by 5.2 percent - much of that attributable to the rise in prescription-drug costs.

With baby boomers entering their autumn years, and with plenty of discoveries in the patent pipeline, the trend of higher drug costs - and growing dependence on lifestyle drugs - is just beginning. It's a trend with important implications for the nation - for businesses that are scrambling to pay employee medical benefits, and for taxpayers, who may ultimately pay the health-care costs of those who fall between the cracks.

Many pharmaceutical companies say higher costs are just part of the price of medical research and innovation. Yet some pundits warn of unintended social consequences, from inadequate care for the poor to the overmedication of the rich.

"The cost pressures are going to be very difficult for America," says Henry Aaron, a senior fellow at the Brookings Institution in Washington. Especially hard hit will be elderly Americans who rely on Medicare, which doesn't cover prescription-drug costs. Congress will fine-tune Medicare this fall, but Congress "tends to have difficulty discussing this issue," Mr. Aaron adds, so it may take some time to meet the needs of the underprivileged.

Still, Aaron and others prefer to talk about the positive side to America's growing drug costs. Increased use of prescription drugs may save billions of dollars in avoided hospital costs, studies show. "Smoking-cessation drugs may be considered a lifestyle drug today, but in 20 years, the new lifestyle drugs may be deemed essential," says Meredith Art, spokeswoman for the Pharmaceutical Research and Manufacturers of America in Washington.

For their part, drug companies say some of the criticism aimed at their industry is unfair. Drug costs did rise 15 percent last year, they acknowledge, but only 3 percent of that was due to higher drug prices. Twelve percent was attributable to increased use of drugs.

In addition, they note, rising drug costs reflect the economic realities of investing in a product that may never come to market. New drugs typically take 12 to 15 years and $500 million to develop. Only 3 of 10 recoup this investment.

"There's a knee-jerk reaction to rising drug costs," says Phil Schneider, spokesman for the National Association of Chain Drug Stores in Alexandria, Va. "You have to put it in the context of what are the cost savings of prescription drugs as opposed to other medical expenditures." Even so, rising drug costs could have a huge impact on Americans, nearly one-quarter of whom have no insurance for prescription drugs. Some health-care providers argue that higher costs squeeze their ability to provide adequate care, especially for the poor.

The situation is most tense in urban locations like Chicago's Cook County Hospital. There, poorer uninsured patients rely on the hospital to prescribe and pay for drugs.

To preserve with its limited resources, Cook County Hospital gives doctors a formulary - a list of recommended drugs that substitutes less-expensive generic drugs when possible.
"We feel we ought to tilt toward the tried and true ones," says Gordon Schiff, an internist and director of clinical quality research at Cook County Hospital.
In the more privileged parts of society, the demand for new drugs is often sparked by extensive drug-related advertising on TV, and the reporting of drug discoveries in newspapers. Armed with information, or at least brand names, many Americans go to their doctors not to seek advice, but to request specific drugs.
"It may not be good medicine, but it's great marketing," says Bob Garfield, an advertising critic at Advertising Age magazine. "People tell their doctor, 'I want Prilosec' [a new antacid]. The doctors, who only have three minutes with each patient, say, 'Here, thank you, shut up, and go away.' " Needless to say, all this advertising costs money, and much of this cost gets passed on to the consumer. But critics of pharmaceutical companies say the industry doesn't need to pass on these costs, or the costs of research and development. Drug companies are regularly counted among the world's most profitable firms.
"American prices for drugs are the highest in the world," says Alan Sager, an economist at Boston University's School of Public Health, and an advocate of price control. "Other countries regulate prices. Drug companies don't like that, but they sleep well at night, because they can just raise prices here."
In time, political pressure will grow for a solution to these higher costs, says Aaron of the Brookings Institution. In the current era of smaller government, Congress will likely find price controls to be unappealing but might be willing to subsidize prescriptions through private health-care plans. Some will cover higher-priced drugs, and some won't.
"That seems to me a fair deal," says Aaron.