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Prescription Drug Costs Impose Heavier Burden on Poorer, Sicker States, Study Concludes

Prescription drug costs consume a rapidly rising share of Americans' incomes, and that share varies enormously among the states, a new study finds. This burden is generally heaviest in poorer, sicker, older states, and where more people are uninsured.

Nationwide, prescription drug spending rose from 1.2 percent of personal income in 1998 to 1.8 percent in 2002, an increase of one-half in just four years.

Drug cost burdens were greatest in 2002 in Tennessee, West Virginia, Kentucky, Louisiana, and Mississippi, according to the report from the Health Reform Program at the Boston University School of Public Health. Rounding out the dozen states with the heaviest burdens were Missouri, Alabama, Arkansas, North Dakota, Oklahoma, Florida, and Michigan. [EDITORS: SEE EXHIBITS 2 AND 3A, ATTACHED.]

Prescription drug spending reflects average prescription prices and number filled per person. Spending is divided by income to calculate the drug cost burden in a state.

The report documents the differences in drug cost burden among the states and offers evidence on possible explanations for the differences.

Tennessee's top-ranked prescription drug cost burden was 3.1 percent of income in 2002, nearly double its 1998 level. Tennessee's 2002 burden was more than twice the 1.3 percent of income spent on medications in California that year.

"States that suffer especially heavy drug cost burdens and those where the burden is rising fastest are likely to feel the most pressure to act politically to lower drug prices," conclude authors Alan Sager and Deborah Socolar, directors of the Health Reform Program. They point to the ground-breaking drug price-cutting laws passed in West Virginia this spring and in Maine in 2000—two lower-income states with older populations and high drug costs. West Virginia was second in drug cost burden in 2002. When Maine enacted its law, its drug cost burden was the highest among states on the Canadian border, where awareness of lower foreign prices first grew.

"Drug costs are a ticking time bomb," said Sager, a professor of health services. "The clock is racing fastest in the states with high drug cost burdens. Price cuts appear essential to protecting patients, taxpayers, and employers—and vital drug research."

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The study found that differences in states' burdens are influenced most by use rates, then by income, and then by price. Average prices vary least from state to state. Reducing drug cost burdens means cutting use or prices (as income is hard to change).

Many states with high drug cost burdens also endure high levels of illness, so using more medications than average is understandable. The report, available at www.healthreformprogram.org, analyzes factors underlying higher burden, use, and prices. These factors include illness rates, age, and lack of health insurance. The high-burden states of Alabama, Mississippi, and West Virginia are also the three with the most adult diabetes, for example. On heart disease deaths, Tennessee ranks second, and 10 of the 12 highest-burden states exceed the U.S. average. [SEE EXHIBIT 5.]

Even in states with high prescription drug use rates, especially poorer states and those with more uninsured, many people still lack needed drugs. So slashing use to reduce cost burdens is unsafe—and unnecessary, the study finds. "It would be clinical folly and financial folly—since making more pills costs remarkably little."

Patients and taxpayers, particularly in high-burden states, cannot afford to spend more. Therefore, the report concludes, "Cutting drug prices is the only practical way to lower drug cost burdens and expand use" of needed medications.

The burden of drug costs and the need for reform are intensifying in every state, the report notes, and so is awareness that drug prices are far less expensive abroad.

"States bordering Canada led the push for drug price reforms and importing, but with growing news coverage and the internet, we're all on the border today," observed Socolar. "States with a more urgent problem—those struggling with the heaviest drug cost burdens—may now take the lead in cutting prices."

Price cuts would spur a large rise in use of needed medications, partly by permitting better private and public coverage. Drug makers then would recoup revenue lost to lower prices, the authors note. To protect drug makers' profits and research at current levels, reform legislation could guarantee to fill any revenue gap and to cover the very low actual cost of making the added volume of medications. With such a "prescription drug peace treaty," Sager and Socolar conclude that national or state reforms to finance all needed prescription drugs would be surprisingly affordable. Today's regime of high prices is doomed. The only question is whether drug makers will help soon to forge an alternative that protects the reasonable interests of all concerned.

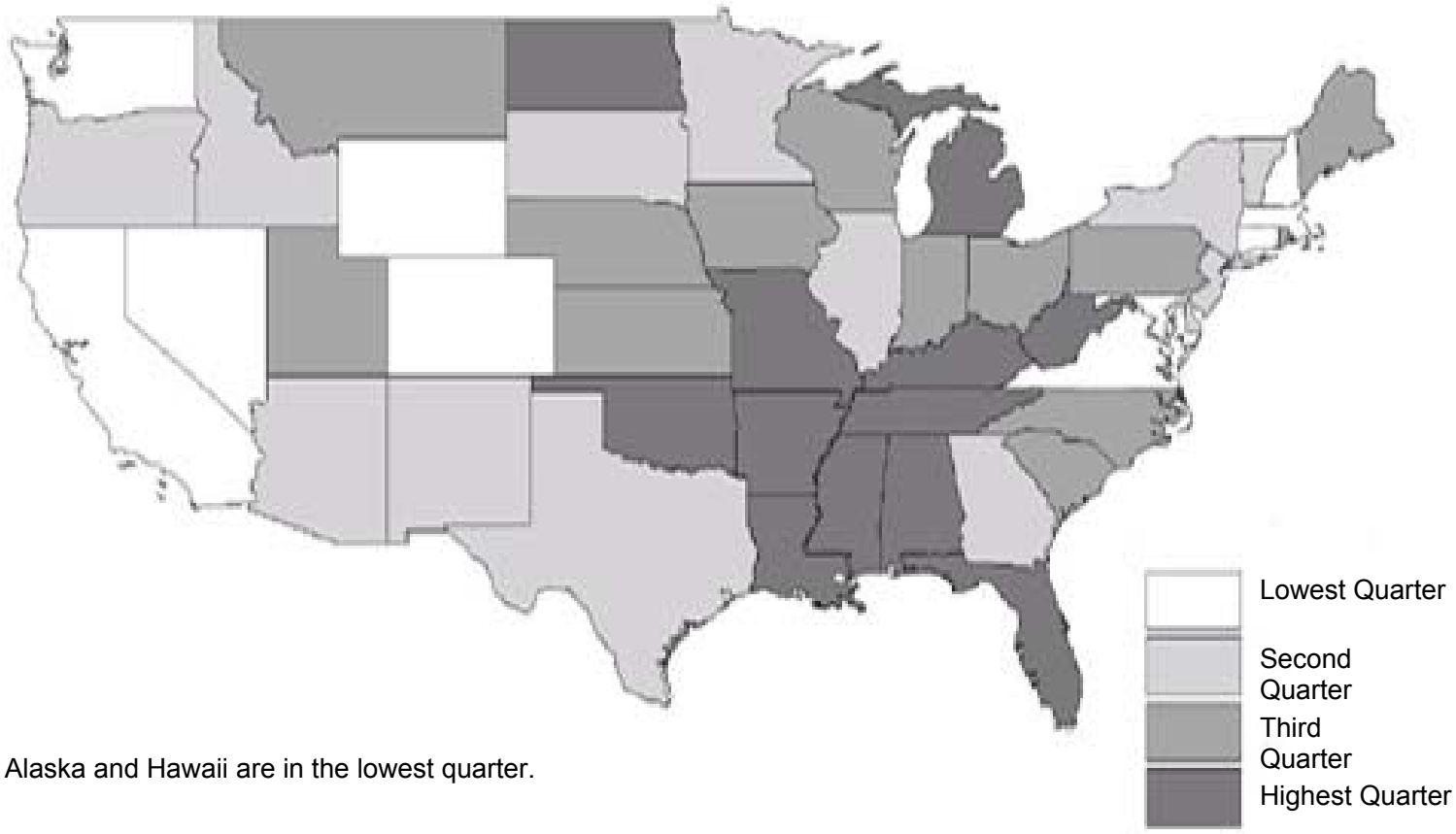
Three of the report's 12 exhibits are attached.

Exhibit 2: THE 50 STATES' DRUG SPENDING AS SHARE OF PERSONAL INCOME

Drug cost burden in 2002	*Rx $ as % of Income*	State Rank
Ranked:		
Tennessee	3.1%	1
West Virginia	3.0%	2
Kentucky	2.8%	3
Louisiana	2.6%	4
Mississippi	2.5%	5
Missouri	2.4%	6
Alabama	2.4%	7
Arkansas	2.4%	8
North Dakota	2.3%	9
Oklahoma	2.2%	10
Florida	2.2%	11
Michigan	2.2%	12
South Carolina	2.2%	13
North Carolina	2.2%	14
Nebraska	2.2%	15
Rhode Island	2.2%	16
Pennsylvania	2.1%	17
Iowa	2.1%	18
Kansas	2.1%	19
Maine	2.0%	20
Wisconsin	2.0%	21
Indiana	2.0%	22
Utah	2.0%	23
Montana	2.0%	24
Ohio	1.9%	25
New York	1.9%	26
Delaware	1.9%	27
South Dakota	1.9%	28
U.S. AVERAGE	**1.87%**	
Georgia	1.8%	29
Texas	1.8%	30
Idaho	1.8%	31
Minnesota	1.8%	32
Vermont	1.8%	33
Arizona	1.7%	34
New Mexico	1.7%	35
New Jersey	1.7%	36
Illinois	1.7%	37
Oregon	1.6%	38
Massachusetts	1.6%	39
Maryland	1.6%	40
Virginia	1.5%	41
Connecticut	1.5%	42
Washington	1.5%	43
Nevada	1.5%	44
New Hampshire	1.4%	45
Wyoming	1.4%	46
Hawaii	1.4%	47
Alaska	1.3%	48
Colorado	1.3%	49
California	1.3%	50

	Rx $ as % of Income	State Rank
Alphabetical:		
United States	1.87%	
Alabama	2.4%	7
Alaska	1.3%	48
Arizona	1.7%	34
Arkansas	2.4%	8
California	1.3%	50
Colorado	1.3%	49
Connecticut	1.5%	42
Delaware	1.9%	27
Florida	2.2%	11
Georgia	1.8%	29
Hawaii	1.4%	47
Idaho	1.8%	31
Illinois	1.7%	37
Indiana	2.0%	22
Iowa	2.1%	18
Kansas	2.1%	19
Kentucky	2.8%	3
Louisiana	2.6%	4
Maine	2.0%	20
Maryland	1.6%	40
Massachusetts	1.6%	39
Michigan	2.2%	12
Minnesota	1.8%	32
Mississippi	2.5%	5
Missouri	2.4%	6
Montana	2.0%	24
Nebraska	2.2%	15
Nevada	1.5%	44
New Hampshire	1.4%	45
New Jersey	1.7%	36
New Mexico	1.7%	35
New York	1.9%	26
North Carolina	2.2%	14
North Dakota	2.3%	9
Ohio	1.9%	25
Oklahoma	2.2%	10
Oregon	1.6%	38
Pennsylvania	2.1%	17
Rhode Island	2.2%	16
South Carolina	2.2%	13
South Dakota	1.9%	28
Tennessee	3.1%	1
Texas	1.8%	30
Utah	2.0%	23
Vermont	1.8%	33
Virginia	1.5%	41
Washington	1.5%	43
West Virginia	3.0%	2
Wisconsin	2.0%	21
Wyoming	1.4%	46

Exhibit 3A
Prescription Drug Cost Burden:
States Grouped in Quarters



Note: Alaska and Hawaii are in the lowest quarter.

Exhibit 5

A Closer Look at the Top 12 States: What Contributes to Their High Prescription Drug Cost Burdens?

	Drug Cost Burden, 2002: Rx Spending as Share of Personal Income	Per Capita Personal Income, 2002	Retail Rx Spending per Person, 2002	Average Price of Retail Prescriptions 2002	Average Number of Prescriptions Per Person, 2002	Physician-to-Population Ratio, 2001	Share Lacking Health Insurance, 2001-02 Average	Age >65, Share of Residents, 2001-02	Current Adult Diabetes Prevalence Rate, 2002	Heart Disease Death Rate per 100,000 People, Age-adjusted, 2000
U. S.average	1.87%	$30,906	$579	$54.58	10.6	253/ 100,000 population	15%	12%	6.7/ 100 adults	196/ 100,000 people
State data shown here are state's percentage of U.S. average on each measure.										
Tennessee	165%	89%	148%	94%	158%	97%	74%	92%	119%	123%
West Virginia	159	77	123	87	142	87	93	142	130	114
Kentucky	150	82	123	90	138	84	87	108	100	105
Louisiana	141	82	116	92	126	100	126	100	110	107
Mississippi	135	73	99	89	111	67	111	92	133	118
Missouri	129	92	119	101	118	92	73	100	100	109
Alabama	127	83	105	82	128	79	87	108	133	91
Arkansas	126	76	96	84	114	75	109	125	110	101
North Dakota	124	87	108	94	115	87	69	117	81	87
Oklahoma	120	84	101	98	103	64	119	108	104	121
Florida	119	96	115	108	107	93	117	142	104	103
Michigan	118	96	113	101	112	91	74	92	112	111

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After the embargo, the report will be posted at www.healthreformprogram.org