



# Senior Update

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## — ISSUES IN DEPTH — Prescription Drugs

by Mary Kaufmann, M.A.

What are we, as a nation, going to do about the high cost of prescription drugs? This is clearly an issue for seniors. There are 40 million Medicare beneficiaries and 17 million have no drug coverage; 10 million of them are considered low income (Single \$738.33/mo; Couple \$995.00/mo). The Wall Street Journal reported in 1998 that 80% of seniors used a prescription drug every day. However, a recent Harris Poll (November 2001) found that 40% of low-income seniors had not filled a prescription in the past 12 months! It would appear the high cost of medications is keeping many low-income seniors from purchasing the prescriptions they need. Recently there seems to be a modicum of hope for all seniors without drug coverage. This issue will look at some of the plans and offer general information on usage of prescription medications.

### PRESCRIPTION DRUG HISTORY

Prescription drug spending has risen about 15% annually in the past few years (WSJ, 11-8-01). Americans now spend twice what they did in 1995.

In 1992, 2.03 billion prescriptions were filled in retail pharmacies and now it is up to 3 billion, an average of 11 prescriptions per person. By 2005 it is estimated it will be 4 billion. More than a third of these are purchased by seniors, even though they make up only 13% of the population.

It is estimated that by 2025, all seniors will pay nearly one-third of their income on out-of-pocket health care costs, an increase from about one-fifth in 2000. And low-income females in poor health will spend nearly three-fourths of their income for health care – as much as \$9,378/year for out-of-pocket costs! It is clear something must be done.

### WHY DO DRUGS COST SO MUCH?

**Advertising:** There seem to be a number of things that factor into the cost of prescription drugs. One big change was allowing manufacturers to market directly to the consumers, especially through TV ads. One research firm states spending on ads rose from \$1.8 billion in 1999 to \$2.5 billion in 2000...and it paid off!

**Increased Usage:** The number of prescriptions filled for the 50 drugs most heavily advertised grew at a rate SIX times other drugs. An example is Vioxx, the most advertised drug, whose sales quadrupled in one year to \$1.5 billion!

So, did seniors succumb to the ads and convince their doctors they really needed the newer drugs, even though new drugs are usually more expensive than an older, equally effective drug?

**Brand vs. Generic:** All generic versions have to pass the same set of stringent FDA standards as brand name prescriptions and are thus deemed to be as good. And it is clear generic drugs are cheaper, one-quarter to one-half the cost of the brand name product. But only 4 of the 50 current best-selling drugs are available in generic form. For example, the "new" Celebrex, a nonsteroidal anti-inflammatory (NSAID), can cost up to \$89 for 30 pills versus \$19.95 for an older NSAID, Naproxen of equal strength.

**Inflation:** Inflation must also be considered. But prices for the 50 most heavily prescribed drugs for seniors rose, on average, at twice the rate of inflation, according to Families, USA. So at this time, that can't be the answer.

**Research and Development:** Research and Development (R & D) costs are also blamed. The average cost for developing a new drug, for example, is now \$800 million. In 1980 the total amount of money spent was only \$2 billion. Last year the major companies spent \$30 billion on R & D. But a study by Families, USA pointed out eight of the nine major companies spent *twice* that on marketing, advertising and administration, yet were the most profitable industry in the U.S.

**Patent Pressure:** All of the costs above are included in the final pricing of new drugs that can

take 10-15 years to win FDA approval. And for every one drug brought to market, four fail. Those costs then have to be recovered by the one that becomes viable for sale. Thus control of the market through patents is critical. When a patent expires, other manufacturers can then market it as a generic without having to worry about developmental costs.

One technique to recover costs is to tweak an "old" drug whose patent is about to expire and market it as a "new" drug and then continue to charge brand name prices rather than generic. This was the case with almost half of all new patents between 1989 and 2000. Clarinex is a good example – it is just a slightly modified versus of Claritin which will lose its patent protection soon.

### **PHARMACEUTICAL PRICING**

Even though the costs of prescription drugs continue to rise, it still only accounts for an estimated 12% of our total health care costs.

According to the National Association of Chain Drug Stores (NACDS), the average prescription price in 2001 was \$50.17 versus \$45.79 in 2000. The big difference is between the average cost of a brand name Rx in 2001 of \$71.18 versus the average generic Rx of only \$21.96. Who actually gets all the money? Using the average estimated retail prescription cost of \$50.17, the manufacturer receives \$37.93 (75.6%), the wholesaler \$1.67 (3.3%) and the retailer receives \$10.57 (21.1%).

### **ADVERSE DRUG REACTIONS**

With more medications available than ever before, and more prescriptions being written, the odds of having some problem has increased dramatically. Improper use of prescription drugs – or "noncompliance" with medication instructions – can lead to complications and even hospitalization.

According to the NACDS three out of every five doctor visits result in a prescription being issued by the doctor. They found as many as half of all patients fail to take their medications as directed. They also indicate as many as half fail to even have them filled in the first place and as many as 30% fail to have them refilled. Again, one must wonder if this is because of the high costs of the medications.

Estimates of the costs of noncompliance range from \$50 billion to \$100 billion a year. The costs in human misery is even worse: 15% of all hospital admissions among the elderly and 23% of all nursing home admissions are a result of complications from medications.

Complications can also be a result of an interaction between drugs, a known side effect, or an unexpected side effect. Toss in errors caused by doctor's ineligible handwriting as a fourth.

Seniors are particularly vulnerable because they take more than one-third of all drugs prescribed. One easy thing to do, whenever you have a prescription refilled, is if there is any change in the size or color, check with the pharmacist to make sure it is the proper medication.

### **THE PHARMACIST'S ROLE**

Pharmacists are seen more and more as a gatekeeper to help control inappropriate distribution and usage of medications. A pharmacist can reaffirm why you are taking a particular medication, what "three times a day" really means, and can check for drug interactions, especially if you get all your medications from one place. They can also tell you if there are certain foods, herbs, drinks (such as grapefruit juice) that can cause problems.

Pharmacists are generally overworked with little time to have lengthy consultations with consumers, even though it is a critical part of their job. One pharmacist, interviewed by the New York Times, said they are already filling 50% more prescriptions per day than they did just three years ago

Although it is strongly recommended that you fill all your prescriptions at the same place so the computers can automatically check for drug interaction problems, pharmacists report the computer programming puts out so many red flags, without indicating the level of danger, that after awhile they tend to ignore the alerts altogether.

### **WHAT ABOUT CANADIAN DRUGS?**

The media has given a lot of coverage to the availability of Canadian drugs, obtained either by crossing the border, ordering over the Internet, or by mail order.

Canadian drug prices are lower, considerably lower. Canada has a socialized medical system of care that controls drug costs. Their national price review board and their overall marketing power allows them to negotiate lower prices with U.S. companies. In order to garner Canadian business, U.S. companies do not add the cost of research and development and the price of lobbying and advertising costs.

Is it legal to purchase drugs from Canada? Technically it is against the law to obtain drugs from a Canadian pharmacist and most American doctors are

not licensed in Canada. But the difference in costs (Tamoxifen from Walgreens for \$97 versus \$8.26 from an on-line Canadian pharmacy) is hard to ignore. Some doctors are ignoring U.S. law which says you cannot import drugs of any kind into this country and it is reported the FDA is not prosecuting, only saying "buyer beware" because the product may not be safe (old, wrong dosage, wrong med, etc.).

Here are some of the major internet sites, if you want to check out the savings some seniors are experiencing by having their prescriptions filled by Canadian physicians: [www.canadameds.com](http://www.canadameds.com); [www.crossborder-pharmacy.com](http://www.crossborder-pharmacy.com); [www.canpd.com](http://www.canpd.com); and [www.canadarx.com](http://www.canadarx.com). In general these sites state they are not a pharmacy but they work with Canadian Licensed Pharmacies. They direct you to either mail or fax your prescription to them, a Canadian doctor then verifies it through your doctor, and you receive your order. Some ask for a fairly detailed health profile. There will be a shipping cost. Personal checks are not accepted. One company requires you include a personal letter stating you are importing the medication for personal use.

### **STATUS OF MEDICARE DRUG COVERAGE**

There has been a great demand for prescription drug coverage for seniors. In recent months many seniors who had coverage lost it when their HMO's changed their benefits package.

President Bush offered a proposal which would have required pharmacists to give discounts to Medicare beneficiaries, as an interim measure, but it has hit several roadblocks.

Congress is also addressing the issue. The current proposal from the House of Representatives includes a \$250 deductible; 70-80% coverage for expenses between \$250-\$1,000; 50% between \$1,000-\$2,250 and then nothing until you reach \$5,000 out-of-pocket, after which it would cover 100% of expenses for the rest of that year. Premiums currently proposed are \$39-40/month.

The Democrats are proposing a \$25 monthly premium, no deductible, with coverage for 50% of costs less than \$4,000 and coverage for 100% above \$4,000. Those earning less than \$11,900 would pay no premium, deductible, or co-pays.

Either plan would cost billions of dollars – estimates in March of 2000 ranged from \$98 to \$168 billion and has surely gone up since then. In these terrible budget times, even with Medicare beneficiaries paying an additional premium, decisions will be difficult.

### **DISCOUNT DRUG PROGRAMS**

The chart on page four lists some of the available discount drug programs. In addition to those, there are others you should be aware of.

**AARP** does not have any income level. You must, however, be an AARP member (\$12.50/year). If you have purchased one of their Medigap policies, you can access their Prescription Saving Service at no cost. If not, you may access their discount program by becoming a member of Rx Choice for an additional \$15.00 a year. Information is available at 800-523-5800 or [www.aarppharmacy.com](http://www.aarppharmacy.com).

**Costco** prescription services may be accessed without becoming a member.

**AdvancePCS** ([www.advanceRX.com](http://www.advanceRX.com)) also offers a RX Savings Plan and indicates a savings of 10-20% on most drugs, about \$19.00 per prescription. They do not have a membership fee, but do charge \$1 transaction fee for each drug. This service is available for all ages, but you must not have any other drug coverage. Call 800-238-2623 for information.

**California Discount Prescription Drug Program** allows all those on Medicare to purchase medications at the same rate charged to Medi-Cal recipients. All Medi-Cal participating pharmacies must participate in the program. Reimbursement rates vary from drug to drug – and from pharmacy to pharmacy – so the amount of savings may also vary. Pharmacies will charge you a 15-cent processing fee for each prescription. Although purchasing prescriptions at a Medi-Cal rate sounds like a good deal, many seniors are not taking advantage of this discount. Most Medicare beneficiaries have never shown their Medicare card to purchase medications. If a pharmacist doesn't *know* you are eligible he/she may *neglect* to inform you of your rights. Present your card and ASK! Every time!

**Veteran Benefits** were covered in our May/June issue. Call the Department of VA (877-222-8387), DEERS office (800-334-416), National Mail Order Pharmacy (800-363-5433) or Health Net Federal Services (TRICARE) (800-977-6753).

**phRMA** (Pharmaceutical Research and Manufacturers of American) offer free drugs through physicians for low-income patients who cannot afford to pay for them. Each company varies in their rules and regulations and only persistence with your personal doctor seems to be effective. Certainly this is an avenue that should not be ignored.

## PARTIAL LISTING OF AVAILABLE DISCOUNT DRUG PROGRAMS

Company	Card Name	Income Limits	Benefits/Costs	Major Drugs	Fees
Eli Lilly 1-877-795-4559 lillyanswers.com	Lilly Answers	Max. \$18,000 single and \$24,000 couple (show proof of income)	Flat rate of \$12 for a 30 day supply of any Eli Lilly drug	Evista, Prozac, Humalog, Serafem	Free. Must complete application.
Glaxo-SmithKline 1-888-672-6436 gsk.com	Orange Card	Max. \$26,000 single and \$35,000 couple	Savings of 30-40% on all their drugs	Advair, Avandia, Lanoxin, Paxil, Miacalcin Nasal Spray	Free. Must complete application.
Novartis 1-866-974-2273 novartix.com/carecard	Care Card	Max. \$26,000 single and \$35,000 couple	Savings of 25-40% on selected drugs	Lotensin, Lotrel, Exelon, Lescol, Miacalcin Nasal Spray	Free. Must enroll through local pharmacies.
Pfizer 1-800-717-6005 pfizerforliving.com	Share Card	Max. \$18,000 single and \$24,000 couple (verify with tax return)	Flat rate of \$15 for a 30 day supply of any Pfizer drug	Lipitor, Dilantin, Norvasc, Zolof, Aricept, Viagra, Procardia	Free. Must complete application.
Abbott Labs; Astra Zeneca; Aventis Pharmaceuticals; Bristol-Myers Squibb; Glaxo-SmithKline; Johnson & Johnson, Novartis 1-800-865-7211 togetherRX.com	Together RX Card	Max. \$28,000 single and \$38,000 couple (show proof of income)	20-40% on more than 150 prescriptions offered	Augmentin, Coumadin, Diovan, Flexeril, Haldol, Relafen	Free. Must complete application.

### **GENERAL COMMONALITIES:**

- You must be a Medicare beneficiary, either a senior or those with disabilities who are enrolled in Medicare
- You must be low income, as shown on the chart
- You must not have any other drug coverage
- You must not be eligible for Medi-Cal
- Most are available at all the major chain stores

**WOULD YOU BENEFIT?** If you have no coverage, you will probably benefit from one or more of the programs covered. Here are some steps you should take:

- Assess your prescription costs each month.
- Check to see if you meet program requirements.
- Find out what program covers your prescriptions.
- Compare what you are paying to the various available discounts.
- Add fees that might apply.

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