

SB

306

COMMITTEE: SENATE HESS	SUBJECT: SB 306-PRESCRIPTION DRUG ASSISTANCE TASK FORCE
DATE: APRIL 24, 2002	



offprint
Jim Martin

PLEASE SIGN IN

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Member
OPAG



March 18, 2002

Alaska Senate Committee on Health, Education and Human Services
Alaska Senate Committee on Finance
State Capital
Juneau, AK 99801-1182

Dear Committee Members:

I am writing to strongly urge you to create a Taskforce to address the need to lower the cost of prescription drugs for all Alaskans without prescription drug insurance. The Center for Policy Alternatives has worked with more than twenty states to help develop model legislation that addresses this critical problem and we hope Alaska will join other states - including New Mexico, West Virginia, and Minnesota - that have taken action in 2002 to address this health crisis.

One in four Americans—70 million—do not have insurance covering prescription drugs. Medicare does not cover outpatient prescriptions, and older Americans desperately need these medicines. Because they have more medical concerns, seniors—representing only 12 percent of the population—consume one-third of all prescription drugs. More than 10 million children are also among the uninsured.

Drug manufacturers sell the exact same pharmaceuticals to different purchasers at widely varying prices. On average, uninsured Americans pay about twice as much as the federal government pays for the same drugs. Uninsured families are charged far more for prescriptions than their insured neighbors, even in the same pharmacy. Similarly, state Medicaid programs pay a price, fixed by federal law, which is 20 to 40 percent higher than the federal government pays. Drug manufacturers still make a healthy profit on the lowest prices they charge the federal government.

Unconscionably high prices for Cipro illustrate the unfairness of the current drug pricing system. A single 500 mg tablet of the antibiotic Cipro, used to fight anthrax and other dangerous bacteria, costs an uninsured American almost \$5 per pill—\$300 for a bottle of 60 pills. But under the federal government's "340B" program, public health facilities buy the same drug for about 43¢ per pill—only \$25.80 for a bottle of 60. The manufacturer, Bayer, makes a good profit because each pill only costs 10-20¢ to manufacture.

20 March 2002

Senator Bettye Davis
Alaska State Legislature
State Capitol, #504
Juneau, AK 99801-1182

Re: SB 306

Dear Ms. Davis:

I am writing to express my support for SB 306 which would establish a prescription drug task force to make recommendations as to how to provide affordable prescription drugs for low-income senior Alaskans.

For 2 1/2 years, we at the Mabel T. Caverly Senior Center have aided low-income seniors through our DEAP program by giving them small grants in the amount of \$300.00 to reimburse themselves some of the cost of their prescription drugs. In that time, we have seen seniors needing aid for prescription bills varying in amounts from \$100.00 to \$2000.00 per month. None of these seniors were medicaid eligible.

The DEAP applications indicated that many seniors were filling only the prescriptions for which they had money. Or, they were skipping pills, halving pills, or in the case of numerous diabetics, not taking their insulin. This unnecessarily puts seniors' health at risk.

Therefore, I support any steps, any studies, or any procedures which may one day put an end to this sad tragedy.

And unfortunately, due to the size of the appropriation for the Human Services Matching Grant, it appears that even our small amount of assistance through the DEAP program will be reduced beginning July 1, 2002.

I commend you, Senator Davis, for introducing this legislation and shining some light on this very sad situation for our Alaskan pioneers.

Sincerely,

Sandra B. Camery
Executive Director
The Mabel T. Caverly Senior Center
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April 1, 2002

Rising Drug Costs a Powerful Issue for National and State Politicians

By ROBIN TONER, Copyright 2002 The New York Times Company

WASHINGTON, March 31 — The soaring cost of prescription drugs has emerged as a potent domestic political issue, not only nationally, but also at the state level. Bills to deal with the cost of drugs are under consideration in 37 state legislatures. On Capitol Hill, legislative leaders in both parties are vying to portray themselves as the better protectors of older people and other consumers against rising pharmaceutical prices, with spending on outpatient prescription drugs up 17.1 percent last year.

In an election year in which no domestic issue has yet become the centerpiece of voter concern, some strategists say the issue, particularly its impact on older people, will loom large in this fall's campaign and maybe even longer.

"I believe the pharmaceutical industry will be a big political issue for the whole decade," said Robert J. Blendon, an expert at Harvard on public opinion and health. "There's a lot of new discoveries out there that are coming along, and many of them are dramatically more expensive than the current drugs."

Senator Byron L. Dorgan, Democrat of North Dakota, says he will hold hearings on the industry's pricing policies this year, and plans a new push to allow imports of cheaper prescription drugs from Canada. House Republicans are looking at ways to restrain the cost of Prescription medicines, like encouraging the use of lower-price generics, as they begin yet another effort to add a drug benefit to Medicare, an effort long stymied by its price. Elsewhere on Capitol Hill, a new coalition of employers, governors and organized labor, Business for Affordable Medicine, is pushing for an overhaul of the law governing pharmaceutical competition and generic drugs, arguing that the current law makes it too easy for the industry to stifle competition.

As for the states, "There's no question that state legislators are interested more interested than ever, at least in numerical terms in trying to lower the cost of prescription drugs," said Richard Cauchi, an analyst at the National Conference of State Legislatures.

In 37 states this year, legislators are considering bills that seek to reduce drug costs for their constituents through buying clubs, bulk purchasing by the state and an array of other measures. At the same time, governors and their Medicaid directors are scrambling to find ways to hold down drug costs in health programs for low-income and disabled people.

Gov. Howard Dean of Vermont, a Democrat who has helped organize other governors to push for Congressional action, said of the pharmaceutical industry, "I think they're in serious trouble from a P.R. point of view and in the Congress."

Mr. Dean, who is considering a run for the presidency, added, "I don't hate the pharmaceutical industry, but I frankly think there ought to be a Congressional investigation into their pricing practices."

Is the drug industry facing a political backlash, which the managed care industry experienced for much of the 90's? Gene Kimmelman, director of the Washington office of Consumers Union, argues that the industry's own direct advertising to consumers may be feeding a backlash.

Enough to Make You Sick:

*Prescription Drug Prices
for the Elderly*

A REPORT BY
Families USA

*Support for this report was generously provided by
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June 2001

DRUG PRICES FOR THE ELDERLY

INTRODUCTION

Recent studies have found that three factors are contributing to the rapid increase in prescription drug expenditures: growing numbers of prescriptions per person; the entry of newer, more expensive drugs into the market that replace older, less expensive drugs; and price increases of existing drugs.¹ For the insurers and employers who pay the largest share of overall drug costs, the increased volume and continuous introduction of expensive new drugs may have a greater impact than increases in prices. But, for the millions of older Americans who do not have prescription drug coverage, and for millions of others who have very limited coverage, increases in drug prices have a profound impact. As this report demonstrates, these prices are increasing at rates that far exceed inflation.

For older Americans, the affordability of prescription drugs has long been a pressing concern. Outpatient prescription drug coverage is one of the last major benefits *not* included in Medicare, and the elderly are the last major *insured* consumer group without access to prescription drugs as a standard benefit. Although Medicare beneficiaries can purchase supplemental prescription drug coverage, that coverage is very expensive and very limited in scope, and although some older retirees have employer-sponsored prescription drug coverage, such coverage is on the decline.

As a result, Americans age 65 and older—who are by far the greatest consumers of prescription drugs—pay a much larger share of drug costs out of their own pockets than do those who are under 65. The elderly are also least likely to receive the benefit of price discounts for prescription drugs—discounts that are provided to bulk purchasers of drugs, including health plans covering younger populations. All of this means that price increases of prescription drugs have a greater impact on older Americans than on younger persons.

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One-sixth of these drugs (8 out of 50) rose less than the rate of inflation.

Three-quarters of these drugs (38 out of 50) rose 1.5 or more times the rate of inflation.

More than one-third of these drugs (18 out of 50) rose three or more times the rate of inflation.

Among the 50 drugs most frequently used by seniors, the following drugs rose most significantly in price over the one-year period from January 2000 to January 2001:

Synthroid (0.01 mg), marketed by Knoll and used as a synthetic thyroid agent, which rose by 22.6 percent (eight and one-half times the rate of inflation);

Alphagan, marketed by Allergan and used to treat glaucoma, which rose 22.5 percent (more than eight times the rate of inflation);

Glucophage, marketed by Bristol-Myers Squibb and used to treat diabetes, which rose 15.5 percent (nearly six times the rate of inflation);

Premarin, marketed by Wyeth-Ayerst and used for estrogen replacement, which rose 12.8 percent (nearly five times the rate of inflation); and

Demadex, a diuretic marketed by Roche, which rose 12.4 percent (more than four and one-half times the rate of inflation).

Nine more drugs experienced a price increase of three or more times the rate of inflation. These drugs were: Zocor, to lower cholesterol; Pepcid, a gastrointestinal agent; Cozaar, an angiotensin II inhibitor; Claritin, an anti-histamine; Paxil, an antidepressant; Fosamax, for osteoporosis; Lipitor, to lower cholesterol; K-Dur 20, a potassium replacement; and Detrol, for treatment of overactive bladder.

Over the five-year period from January 1996 to January 2001, the prices of the prescription drugs most frequently used by older Americans rose, on average, 22.2 percent. This increase was nearly twice the rate of inflation, which was 12.4 percent over that period. (See Table 2.)

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Prilosec, a gastrointestinal agent marketed by Astra Zeneca, has an average annual cost of \$1,511;

Prevacid, a gastrointestinal agent marketed by TAP Pharmaceuticals, has an average annual cost of \$1,459;

Plavix, an anti-platelet agent marketed by Bristol-Myers Squibb, has an average annual cost of \$1,232; and

Lipitor (20 mg), marketed by Parke-Davis and used as a lipid-lowering agent, has an average annual cost of \$1,148.

Generic Drugs

Of the 50 drugs used most frequently by seniors, 10 are generic drugs, while the remaining 40 are brand name drugs. Price increases among generic drugs most frequently used by seniors are growing slower than the rate of inflation. (See Table 1.)

Of these 10 generic drugs, 7 did not increase in price in the period from January 2000 to January 2001.

Three of the 10 drugs rose nearly two times the rate of inflation during this period.

Of the 10 generic drugs, 8 were on the market for the five-year period from January 1996 to January 2001. (See Table 2.)

Half of these (four of eight) did not rise in price or rose at a rate slower than inflation;

Two of the eight rose slightly faster than the rate of inflation; and

Two drugs, both different dosage levels of furosemide, rose from 11 to 13 times the rate of inflation.

Among these 10 generic drugs, the annual cost of treatment as of January 2001 (see Table 3) is as follows:

furosemide (40 mg), a diuretic marketed by Mylan, has an average annual cost of \$59;

atenolol, a beta blocker marketed by Geneva, has an average annual cost of \$256;

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Of the 16 drugs on the market for the 10-year period between January 1991 and January 2001, those with the most significant increases in price were:

furosemide (40 mg), which increased 365.7 percent (more than 12 times the rate of inflation);

Synthroid (0.05 mg), which increased 136 percent (four and one-half times the rate of inflation);

Lanoxin (both dosages), which increased 126.8 percent (more than four times the rate of inflation);

Premarin, which increased 108.7 percent (nearly four times the rate of inflation); and

K-Dur 20, which increased 99.3 percent (more than three times the rate of inflation).

NOTES TO TABLES

Drug names that are capitalized are brand names. The drugs that are not capitalized are generic, with the exception of APAP/propoxphene, which is a generic.

The following are abbreviations used in the tables and the explanations of each:

mg	milligram, which is 1/1,000th of a gram
mg/ac	milligrams per actuation (spray)
mcg	microgram, which is 1/1-millionth of a gram
meq	milliequivalent, an alternate form of measurement
IU	International Unit, a measurement of biological activity
IU/ac	International Units per actuation (spray)
sol	solution
inj	injection
tab	tablet
tab cr	controlled release tablet
tab er	extended release tablet
cap	capsule
cap cr	controlled release capsule
ophth sol	ophthalmologic solution

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Table 2

Cumulative Price Changes of the Top 50 Drugs (by Number of Claims) Used by the Elderly^a

Rank by # of Claims	Brand Name/Drug	Strength	Dose Form	Therapeutic Category	Number of Price Changes 1996-2001	Cumulative Changes 1996-2001	Multiple of CPI 1996-2001
1	Pilosec	20 mg	cap cr	Gastrointestinal Agents	4	14.0%	1.1
2	Norvasc	5 mg	tab	Calcium Channel Blocker	5	15.5%	1.2
3	K-Dur 20	20 meq	tab cr	Potassium Replacement	8	37.9%	3.0
4	Lanoxin	b 0.125 mg	tab	Cardiac Glycoside	6	80.5%	6.5
5	Lipitor	10 mg	tab	Lipid-Lowering Agent	2	nm	nm
6	Celebrex	200 mg	cap	Anti-inflammatory/Analgesic	2	nm	nm
7	furosemide	b 40 mg	tab	Loop Diuretic	7	158.7%	12.8
8	Fosamax	10 mg	tab	Osteoporosis Treatment	7	32.2%	2.6
9	Glucophage	500 mg	tab	Oral Antidiabetic Agent	7	61.2%	4.9
10	Plovix	75 mg	tab	Anti-platelet Agent	2	nm	nm
11	Prevacid	30 mg	cap cr	Gastrointestinal Agents	6	16.8%	1.4
12	Zocor	20 mg	tab	Lipid-Lowering Agent	4	17.6%	1.4
13	Xalatan	0.01 %	sol	Glaucoma Treatment	4	nm	nm
14	Pepcid	20 mg	tab	Gastrointestinal Agents	6	25.5%	2.0
15	Lanoxin	b 0.25 mg	tab	Cardiac Glycoside	6	80.5%	6.5
16	Norvasc	10 mg	tab	Calcium Channel Blocker	2	3.0%	0.2
17	Synthroid	b 0.1 mg	tab	Synthetic Thyroid Agent	9	66.5%	5.4
18	Vioux	25 mg	tab	Anti-inflammatory/Analgesic	1	nm	nm
19	Synthroid	b 0.05 mg	tab	Synthetic Thyroid Agent	9	67.1%	5.4
20	isosorbide mononitrate	b 60 mg	tab er	Anti-Anginal Agent	0	nm	nm
21	Premarin	0.625 mg	tab	Estrogen Replacement	9	53.1%	4.3
22	Lipitor	20 mg	tab	Lipid-Lowering Agent	2	nm	nm
23	Toprol XL	50 mg	tab	Beta Blocker	7	29.6%	2.4
24	isosorbide mononitrate	b 30 mg	tab er	Anti-Anginal Agent	0	nm	nm
25	Cezaar	50 mg	tab	Angiotensin II Inhibitor	6	23.9%	1.9
26	Miacalcin	200 IU/ac	spray	Calcitonin Replacement	6	nm	nm
27	Zoloft	50 mg	tab	Antidepressant	5	15.5%	1.2
28	metoprolol	b 50 mg	tab	Beta Blocker	0	0.0%	0.0
29	Synthroid	b 0.08 mg	tab	Synthetic Thyroid Agent	9	66.6%	5.4
30	Zocor	10 mg	tab	Lipid-Lowering Agent	5	22.2%	1.8
31	atenolol	b 25 mg	tab	Beta Blocker	2	-0.1%	0.0
32	Detrol	2 mg	tab	Oversensitive Bladder Treatment	3	nm	nm
33	Zestril	b 10 mg	tab	ACE Inhibitor	5	18.7%	1.5
34	Humulin N	b 100 IU	inj	Insulin Anti-Diabetic Agent	6	33.7%	2.7
35	Celebrex	100 mg	cap	Anti-inflammatory/Analgesic	2	nm	nm
36	furosemide	b 20 mg	tab	Loop Diuretic	7	136.4%	11.0
37	Claritin	10 mg	tab	Non-sedating Antihistamine	9	26.1%	2.1
38	Pravachol	20 mg	tab	Lipid-Lowering Agent	5	35.0%	2.8
39	Alphagan	0.2 %	ophth sol	Treatment of Glaucoma	6	nm	nm
40	Glucotrol XL	10 mg	tab	Oral Antidiabetic Agent	5	15.5%	1.2
41	Combivent	1 mg	aer	Respiratory Agent	5	nm	nm
42	Paxil	20 mg	tab	Antidepressant	7	28.2%	2.3
43	Evista	60 mg	tab	Osteoporosis Treatment	4	nm	nm
44	Vasotec	b 5 mg	tab	ACE Inhibitor	5	19.4%	1.6
45	atenolol	b 50 mg	tab	Beta Blocker	3	3.0%	0.2
46	metoprolol	b 50 mg	tab	Beta Blocker	6	13.6%	1.1
47	APAP/ propoxyphene	b 650 mg	tab	Opiate Agonist	2	15.4%	1.2
48	albuterol	b 90 mcg	aerosol	Respiratory Agent	0	0.0%	0.0
49	Demadex	20 mg	tab	Loop Diuretic	8	27.3%	2.2
50	Zestril	b 20 mg	tab	ACE Inhibitor	4	18.7%	1.5
Top 50 Drugs, Average Weighted by Sales^c					4.8	22.2%	1.8
CPI - All Items less Energy, Annual Percent Change						12.4%	

nm Not marketed during part or all of the period indicated.

^a Based on price as of January 15 for each year reported. Drugs are listed in descending order of claims.

^b Generic or co-marketed versions of this drug product are available.

^c The weighted average was calculated based on 2000 expenditures for each drug in the Pennsylvania PACE program.

SOURCE: Compiled by PRIME Institute, University of Minnesota for Families USA. Based on data from the Pennsylvania Pharmaceutical Assistance Contract for the Elderly (PACE) and data found in Price-Check PC, published by MediSpan (First Databank, Indianapolis), April 2001.

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Table 4

Cumulative Price Changes of the Top 50 Drugs (by Number of Prescriptions) Used by the Elderly*

Rank by # of Claims	Brand Name	Strength	Dose Form	NDA Approval Date	Therapeutic Category	Cumulative Change 1991-2001	Multiple of CPI 1991-2001
1	Prilosec	20 mg	cap cr	Sep-89	Gastrointestinal Agents	28.7%	1.0
2	Norvasc	5 mg	tab	Jul-92	Calcium Channel Blocker	nm	nm
3	K-Dur 20	20 meq	tab cr	Jun-86	Potassium Replacement	99.3%	3.3
4	Lanoxin b	0.125 mg	tab	Aug-67	Cardiac Glycoside	126.8%	4.2
5	Lipitor	10 mg	tab	Dec-96	Lipid-Lowering Agent	nm	nm
6	Celebrax	200 mg	cap	Dec-98	Anti-inflammatory/Analgesic	nm	nm
7	furosemide b	40 mg	tab	Aug-81	Loop Diuretic	365.7%	12.2
8	Fosamax	10 mg	tab	Sep-95	Osteoporosis Treatment	nm	nm
9	Glucophage	500 mg	tab	Mar-95	Oral Antidiabetic Agent	nm	nm
10	Plavix	75 mg	tab	Nov-97	Anti-platelet Agent	nm	nm
11	Prevacid	30 mg	cap cr	May-95	Gastrointestinal Agents	nm	nm
12	Zocor	20 mg	tab	Dec-91	Lipid-Lowering Agent	nm	nm
13	Xalatan	0.005 %	sol	Jun-96	Glaucoma Treatment	nm	nm
14	Pepcid	20 mg	tab	Oct-86	Gastrointestinal Agents	58.8%	2.0
15	Lanoxin b	0.25 mg	tab	Aug-67	Cardiac Glycoside	126.8%	4.2
16	Norvasc	10 mg	tab	Jul-92	Calcium Channel Blocker	nm	nm
17	Synthroid b	0.1 mg	tab	Dec-63	Synthetic Thyroid Agent	133.3%	4.4
18	Vioxx	25 mg	tab	May-99	Anti-inflammatory/Analgesic	nm	nm
19	Synthroid b	0.05 mg	tab	Dec-63	Synthetic Thyroid Agent	136.0%	4.5
20	isosorbide mononitrate b	60 mg	tab er	Sep-98	Anti-Anginal Agent	nm	nm
21	Premarin	0.625 mg	tab	May-64	Estrogen Replacement	108.7%	3.6
22	Lipitor	20 mg	tab	Dec-96	Lipid-Lowering Agent	nm	nm
23	Toprol XL	50 mg	tab	Jan-92	Beta Blocker	nm	nm
24	isosorbide mononitrate b	30 mg	tab er	Sep-98	Anti-Anginal Agent	nm	nm
25	Cozaar	50 mg	tab	Apr-95	Angiotensin II Inhibitor	nm	nm
26	Miacalcin	200 IU/oc	spray	Aug-95	Calcitonin Replacement	nm	nm
27	Zolaft	50 mg	tab	Dec-91	Aniidepressant	nm	nm
28	metoprolol b	50 mg	tab	Jan-95	Beta Blocker	nm	nm
29	Synthroid b	0.075 mg	tab	Dec-63	Synthetic Thyroid Agent	134.7%	4.5
30	Zocor	10 mg	tab	Dec-91	Lipid Lowering Agent	nm	nm
31	atenolol b	25 mg	tab	Sep-91	Beta Blocker	nm	nm
32	Detrol	2 mg	tab	Mar-98	Overactive Bladder Treatment	nm	nm
33	Zestril b	10 mg	tab	Dec-87	ACE Inhibitor	33.6%	1.1
34	Humulin N b	100 IU	inj	Oct-82	Insulin Anti-Diabetic Agent	61.1%	2.0
35	Celebrax	100 mg	cap	Dec-98	Anti-inflammatory/Analgesic	nm	nm
36	furosemide b	20 mg	tab	Aug-81	Loop Diuretic	338.7%	11.3
37	Claritin	10 mg	tab	Apr-93	Non-sedating Antihistamine	nm	nm
38	Pravachol	20 mg	tab	Oct-91	Lipid-Lowering Agent	nm	nm
39	Alphagon	0.2 %	ophth sol	Sep-96	Treatment of Glaucoma	nm	nm
40	Glucotrol XL	10 mg	tab	Apr-94	Oral Antidiabetic Agent	nm	nm
41	Combivent	1 mg	aer	Oct-96	Respiratory Agent	nm	nm
42	Paxil	20 mg	tab	Dec-92	Aniidepressant	nm	nm
43	Evista	60 mg	tab	Dec-97	Osteoporosis Treatment	nm	nm
44	Vasotec b	5 mg	tab	Dec-85	ACE Inhibitor	51.7%	1.7
45	atenolol b	50 mg	tab	Sep-91	Beta Blocker	nm	nm
46	metoprolol b	50 mg	tab	Dec-93	Beta Blocker	nm	nm
47	APAP/ propoxyphene b	650 mg	tab	Apr-80	Opiate Agonist	80.1%	2.7
48	albuterol b	90 mcg	aerosol	Dec-95	Respiratory Agent	nm	nm
49	Demadex	20 mg	tab	Aug-93	Loop Diuretic	nm	nm
50	Zestril b	20 mg	tab	Dec-87	ACE Inhibitor	33.1%	1.1
CPI - All Items less energy, Annual Percent Change						30.6%	

nm Not marketed during part or all of the period indicated.

* Based on price as of January 15 for each year reported. Drugs are listed in descending order of claims.

* Generic or co-marketed versions of this drug product are available.

SOURCE: Compiled by PRIME Institute, University of Minnesota for Families USA. Based on data from the Pennsylvania Pharmaceutical Assistance Contract for the Elderly (PACE) and data found in Price-Check PC, published by MediSpan (First Databank, Indianapolis), April 2001.

DISCUSSION

As the population that needs drugs most but is least likely to have drug coverage, seniors are most directly affected by rising drug prices. The steady escalation in these costs puts seniors at risk of being unable to obtain the prescription drugs they need to maintain their health. Although seniors represent just 13 percent of the total population, they account for 34 percent of all prescriptions dispensed and 42 percent of all prescription drug spending.⁴

The prices for prescription drugs used by older Americans continue to rise faster than the rate of inflation. In the past year, prices for the 50 drugs most commonly used by seniors rose by more than twice the rate of inflation. This is not a new trend. As our data show, throughout the 1990s the prices for prescription drugs most frequently used by seniors have risen faster than inflation. Results from previous Families USA studies also found that drug prices for the top 50 drugs used by older Americans consistently rose faster than inflation.⁵

For seniors—many of whom live on fixed incomes—prescription drugs have become increasingly unaffordable as prices continue to rise. One-third of seniors have no insurance coverage for prescription drugs throughout the year, and nearly half (47 percent) lack coverage for at least part of the year.⁶ Whether lacking prescription drug coverage for the full year or some part of a year, paying the full cost for prescription drugs can be a tremendous financial burden.

Seniors without coverage are less likely to get the drugs they need. In fact, the gap in access to prescription drugs for seniors who have coverage compared to those who do not have coverage is growing. Seniors with prescription drug coverage are getting more prescriptions, while those without coverage are getting fewer prescription drugs.⁷

Drugs with Fastest-Growing Prices

While prices for the 50 drugs most frequently used by seniors continue to rise faster than inflation, prices for several drugs are rising at rates that far exceed the average. Seniors may be hit especially hard if they rely on these drugs.

DRUG PRICES FOR THE ELDERLY

Pfizer's total spending on research and development.¹⁰ During this same period, from January 2000 to January 2001, the price of Lipitor increased more than three times the rate of inflation.

Generic Drugs

Of the 50 most frequently prescribed drugs for seniors, the majority (40) are brand name drugs. Only 10 out of 50 are generic drugs. Generic drugs share the same active ingredient as the brand name drug, but because the brand name drug is no longer patent-protected, it can be produced by multiple companies, creating competition within that category of drug. As a result, generic drugs are substantially less expensive than their brand name counterparts. In fact, generic drugs are about half the price of brand name drugs in the first year after entering the market.¹¹ Among the generic drugs on this list, the annual costs range from \$52 for the diuretic furesomide (20 mg) to \$444 for the pain reliever APAP/propoxyphene (650 mg).

Of the 50 most commonly prescribed drugs for seniors, prices for generics are among the ones growing most slowly. Furesomide and metoprolol (marketed by Mylan) were the only generic drugs that had any increase in price from January 2000 to January 2001. Both dosages of furesomide increased roughly 5 percent, or nearly two times the rate of inflation. Metoprolol increased 4.9 percent, or nearly two times the rate of inflation. Even with these rapid increases in price, the annual cost of furesomide (40 mg) is only \$59 and metoprolol is only \$405, considerably less than the average cost of the 50 drugs. All other generics on the list had no price increase during this one-year period.

Frequent Price Increases

For seniors who lack coverage for prescription drugs and who generally only receive a cost-of-living increase at the beginning of each year, frequent price increases make affording their prescription drugs difficult. Three-quarters (27 out of 36) of the drugs on the market during the last five years had, on average, at least one increase in price per year. Prices for Premarin, Claritin, and Synthroid increased nine times, or an average of nearly two times per year. Demadex and K-Dur 20 increased in price eight times during this five-year period.

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ENDNOTES

¹ Stanley S. Wallach, et al., *Sources of Growth in Pharmaceutical Expenditures*. Brandeis University Schneider Institute for Health Policy, May 2000. Available at (www.RxHealthValue.org).

² Families USA, *Still Rising: Drug Price Increases for Seniors, 1999-2000* (Washington: Families USA, April 2000); and Families USA, *Hard to Swallow: Rising Drug Prices for America's Seniors* (Washington: Families USA, November 1999).

³ The data on average drug price increases used in this report weight drug price increases by sales. The average drug price increases reported take into account the market share of each of the 50 top-selling drugs. This methodology is often used by industry sources.

⁴ Families USA, *Cost Overdose: Growth in Drug Spending for the Elderly, 1992-2010* (Washington: Families USA, July 2000).

⁵ Families USA, *Still Rising and Hard to Swallow*, op. cit.

⁶ David Gross and Normandy Brangan, *Medicare Beneficiaries and Prescription Drug Coverage: Gaps and Barriers* (Washington: AARP Public Policy Institute, June 1999); and Bruce Stuart, et al., *Prescription Drugs for Medicare Beneficiaries: Coverage and Health Status Matter* (New York: The Commonwealth Fund, February 2000).

⁷ John A. Poisal and Lauren Murray, "Growing Differences Between Medicare Beneficiaries With and Without Drug Coverage," *Health Affairs* 20, 3 March/April 2001: 74-85.

⁸ Calculations are based on PACE data and are available upon request from Families USA.

⁹ National Institute for Health Care Management, *Prescription Drugs and Mass Media Advertising*, Research Brief (Washington: NIHCM Foundation, September 2000).

¹⁰ Pfizer, Inc., *2000 Annual Report* (New York: Pfizer Inc., 2001).

¹¹ Congressional Budget Office, *How Increased Competition from Generic Drugs Has Affected Prices and Returns in the Pharmaceutical Industry* (Washington: Congressional Budget Office, July 1998).

CREDITS

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Senator Bettye Davis

Senate Bill SB 306

" An Act establishing the Prescription Drug Assistance Task Force; and providing for an effective date."

Sponsor Statement

The NCSL reports spending on outpatient drugs rose 18.8% from 1999 to 2000. In the last decade the average number of prescription per seniors per year has expanded from 19.6 to 28.6. Since 1992 the average cost of prescription drugs for seniors has gone up more than 48%.

In response to this trend, at least 40 states have considered enacting pharmaceutical assistance legislation, 31 states have actually instituted some form of program and 44 states are currently considering drug subsidy legislation.

According to the AARP, the annual growth rate for Medicaid spending on medications rose 23.4% in Alaska from 1996 to 1998 and a third of Alaska's seniors have no prescription drug coverage and must pay drug costs out-of-pocket.

SB 306 creates a Task Force to study prescription drug assistance programs currently in existence or under consideration around the country on both the state and national level. It will also review current and new Medicaid prescription drug initiatives for using drug rebates, discounts or pooling of discounts with other states with the intent of crafting a plan to help Senior Alaskan's meet the increasing burden of rising pharmaceutical costs.

The taskforce will be composed of seven members drawn from both the public and private sectors including a member recommended directly by senior organizations. The taskforce will report its findings and submit recommendations to the 23rd Legislature at the beginning of next session.

The report and recommendations will serve as a guide for crafting a comprehensive Senior Citizen Prescription Drug Assistance program that is both cost effective and meets the needs of Alaska's seniors.

FISCAL NOTE

STATE OF ALASKA
2002 LEGISLATIVE SESSION

Fiscal Note Number: 1
Bill Version: SB 306
(S) Publish Date: 3/22/02

Revision Date/Time (Note if correction):	Dept. Affected: <u>Administration</u>
Title: <u>Establishment of Prescription Drug Assistance Task Force</u>	BRU: <u>Central Administrative Services</u>
Sponsor: <u>Senator Davis</u>	Component: <u>Protection, Community Services</u>
Requester: <u>State Affairs</u>	Component No.: <u>2083</u>

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Personal Services						
Travel	9.6	0.0	0.0	0.0	0.0	0.0
Contractual	10.0	0.0	0.0	0.0	0.0	0.0
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	19.6	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()						
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts	19.6	0.0	0.0	0.0	0.0	0.0
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
TOTAL	19.6	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2002) cost: 0.0
Check this box (X) if funding for this bill is included in the Governor's FY 2003 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

This bill establishes a task force to investigate and review various issues related to the lack of prescription drug availability to low and moderate income senior citizens and make appropriate recommendations to the Governor and Legislature. This fiscal note assumes that members from state agencies assigned to the task force will cover the cost of their participation. This fiscal note covers the transportation, lodging and per diem for the four private sector members appointed to the task force. It assumes three required meetings and per diem for subsequent teleconference meetings. Contractual costs include advertising for public notice, teleconferencing costs, postage and printing and rent.

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Division: <u>Senior Services</u>	Date/Time: <u>3/20/02 1:46 PM</u>
Approved by: <u>Jim Duncan, Commissioner</u>	Date: <u>3/20/2002</u>
Agency: <u>Department of Administration</u>	

FISCAL NOTE

STATE OF ALASKA
2002 LEGISLATIVE SESSION

BILL NO. SB 306 #1

ANALYSIS CONTINUATION

TRAVEL

Three Anchorage Meetings	
Three Private Sector Task Force Members	
Travel/Lodging/Per Diem	\$ 9,000
Private Sector Task Force Member	
Per Diem	300
Three Telephonic Meetings	
Per Diem	<u>300</u>
Total Travel	\$ 9,600

CONTRACTUAL

Public Notice of Meetings	\$ 5,000
Teleconferencing costs	2,500
Printing and Postage	1,000
Conference Room Rental	<u>1,500</u>
Total Contractual	\$10,000

Total Budget	\$19,600
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