

Rx for Pharmacy Costs in Tennessee

Message In A Bottle

Billions Are Being Spent On Prescription Drugs

And Tennessee is the Leader in Per Person Rates

It's a most dubious honor, but one that needs to be acknowledged and addressed. Tennessee leads the nation in number of prescriptions per person per year — roughly the equivalent of 14 prescriptions per every man, woman and child. While the United States as a whole spent \$115 billion on prescription drugs in 1999, Tennessee spent nearly \$2.6 billion of that amount, at a related cost of \$497.50 per individual. Prescription drug cost is increasing at a faster annual pace than any other component of health care spending — quickly approaching spending rates for hospital inpatient care.

What's causing an annual 24 percent increase in drug costs? What's driving the consumer's prescription use and purchase decisions? How does this affect premium rates and health plans? And what's being done to address this throughout Tennessee?

Uncovering The Causes Of Drug Cost Increases

Some Indicators of Good Health — More Serious Side Effects of Marketing Patterns

Not all of the drivers of increasing drug costs can be considered bad or detrimental to the overall state of health care today. Some indicate success. But all have a specific impact on how and why prescription medication costs are escalating so rapidly.

- 1. An Aging Population.** More elderly people are alive today than ever before. In Tennessee in 2000 there were 82,000 over the age of 85. In 10 years, 110,000.
- 2. More Aggressive Treatment Guidelines.** More knowledge of disease has led to more diagnoses, redefinition of disease states, and revised recommendations for treatment therapies — dramatically expanding the number of candidates for therapy.
- 3. More New Drugs, Fast on the Market.** FDA approval times have dropped from 21 months to 10. Chemical advances speed new drug development. Result: The number of new drugs reaching the market each year has almost tripled.
- 4. Costs Shifting Away From Consumer.** Barely 10 years ago, individuals paid for 59.2 percent of total costs of prescription drugs. Today, that's 29 percent. In Tennessee in 1999, insurance companies or TennCare covered 78.2 percent of all drug costs.
- 5. Direct-to-Consumer Advertising.** An effective and powerful persuader. Spending for prescription drug advertising zoomed from \$55 million in 1991 to \$1.8 billion in 1999. Studies show consumers are responding with specific requests to their doctors.
- 6. Pricing Practices.** The price of new drugs introduced since 1995 is more than double the price of those introduced in the previous five years. Consumers are relatively sheltered from the reality of those costs.

Answers And Issues

What BlueCross BlueShield of Tennessee is Doing to Help

Educating consumers, working with physicians, studying the health and habits of Tennesseans are all ways that BlueCross BlueShield of Tennessee is working to curb the rising cost of prescription drug spending and lessen its impact on health plan benefits for everyone. Ideas? Options? Many are addressed in the new *Rx for Pharmacy Costs in Tennessee* white paper report.