

**Written Statement for the Record by
Kathleen Stoll, Deputy Executive Director, Director of Health Policy
Families USA**

**For the U.S. House of Representatives
Committee on Energy and Commerce, Subcommittee on Health**

“Prescription Drug Price Inflation: Are Prices Rising Too Fast?”

Tuesday, December 8, 2009

2123 Rayburn House Office Building

Mr. Chairman, Members of the Committee:

Thank you for inviting Families USA to participate in today’s hearing on the effect of rising prescription drug costs on consumers. Families USA is the national organization for health care consumers. For nearly 30 years, our organization has worked to ensure that affordable, quality health coverage becomes a reality for all Americans. Unfortunately, over the last decade, rising health care costs have priced millions of Americans out of quality coverage. As a result, millions more have joined the ranks of the uninsured and underinsured, and fewer Americans have quality prescription drug coverage. Health reform legislation passed in the House of Representatives and currently being debated in the Senate will ameliorate this problem by increasing access to quality, affordable coverage – including prescription drug coverage – for millions of families.

Increasing access to affordable prescription drug coverage is more urgent than ever. In recent years, Americans have spent a significantly larger amount on prescription drugs. In fact, total spending on prescription drugs in the United States nearly doubled between 2000 and 2007, rising from \$120.6 billion to \$227.5 billion.¹

Three primary factors are driving the increase in prescription drug spending. First, people are using more prescription drugs than they previously did. Between 1997 and 2007, the number of

¹ National Health Expenditure Accounts, available online at <http://www.cms.hhs.gov/NationalHealthExpendData/downloads/tables.pdf>.

prescriptions filled in the United States rose by 72 percent, while the United States population grew by only 11 percent.² Secondly, the cost of prescription drugs has become more expensive. During the same period between 1997 and 2007, retail drug prices increased an average of 6.9 percent per year, more than 2.5 times the rate of the annual rate of inflation (which was 2.6 percent per year over the same period).³ Finally, over the past few decades, prescription drugs have changed the face of medical treatment. Today, prescription drugs can help prevent, treat or cure many health conditions, and the potential quality of life and health improvements of these treatments are substantial. As new drugs become available, prescribing patterns change, and this drives a shift in health care spending. In recent years, the advent of biologic drugs – drugs that are created from living cells, tissues or organisms through a biologic process rather than those that are chemical in nature – have had a marked effect on both the practice of medicine and prescription drug spending. Biologic drugs have offered new treatment options for conditions such as cancer and rheumatoid arthritis, but they are extremely expensive. For example, Avastin, a biologic drug that is used to treat advanced cases of colon, lung, or breast cancer can cost up to \$100,000 per year.⁴ Estimates indicate that spending on biologic drugs is now growing nearly twice as quickly as spending on traditional chemical drugs.⁵

The combination of these three factors – the rise in utilization, an increase in prescription drug prices, and a shift in the type of drugs prescribed – have had a profound effect on Americans’ ability to access affordable prescription drugs.

Uninsured Americans face a disproportionate barrier in accessing affordable prescription drugs.

According to the most recent Census Bureau numbers, 46.3 million Americans were uninsured for the entirety of 2008. The recent economic downturn has had a profound adverse impact on American families. Since 2008, millions of Americans have likely joined the ranks of the

² *Prescription Drug Trends*. (Washington: Kaiser Family Foundation: September 2008).

³ *Ibid.*

⁴ Gina Kolata and Andrew Pollack, “Costly Cancer Drug Offers Hope, but Also a Dilemma,” *New York Times*, July 6, 2008.

⁵ *Biologics in Perspective: The Case for Generic Biologic Drugs*, (Washington: AARP).

uninsured due to rising unemployment through 2009. A recent Families USA analysis found that four million more working-age adults are uninsured in 2009 than in 2008.⁶

Going without coverage – including prescription drug coverage – puts families at risk both physically and financially. The uninsured are more likely to delay or forgo care, and are more likely to be diagnosed with conditions in later stages. The uninsured are also more likely to face trouble obtaining prescription drugs when necessary and are more likely than those with insurance to report having skipped filling a prescription due to cost. In fact, in 2007, nearly 12.5 million working-age Americans without health insurance reported having unmet prescription drug needs.⁷ In addition, nearly half of adults who reported having been uninsured in the past year said that they did not fill a prescription because it was too expensive.⁸ With no prescription drug coverage, uninsured individuals must pay the full price out-of-pocket or rely on prescription assistance programs, which offer limited discounts.

The Affordable Health Care for America Act would extend coverage – including prescription drug coverage – to an estimated 36 million Americans by 2019, reducing barriers to access for the uninsured.

Many Americans with health insurance are still unable to afford prescription drugs.

As the cost of health coverage continues to rise, many Americans are choosing to purchase coverage that is less expensive – but it comes with higher costs when they actually need the care. These health plans often have high deductibles and larger copayments, and cover fewer services. Americans who spend more than 10 percent of income on out-of-pocket costs beyond premiums (five percent of income for families with income below 200 percent of poverty) or individuals who are in a plan with a deductible that exceeds five percent of income are considered

⁶ *One-Two Punch: Unemployed and Uninsured* (Washington: Families USA, October 2009), available online at <http://www.familiesusa.org/assets/pdfs/one-two-punch.pdf>.

⁷ Laurie E. Felland, James D. Reschovsky, Center for Studying Health System Change, “More Nonelderly Americans Face Problems Affording Prescription Drugs,” (January 2009), available online at <http://www.hschange.com/CONTENT/1039/>.

⁸ *Losing Ground: How the Loss of Adequate Health Insurance is Burdening Working Families* (Washington: The Commonwealth Fund, August 2008).

underinsured. In 2007, an estimated 25 million adults (ages 19-64) were underinsured, a 60 percent increase since 2003.⁹

When Americans are underinsured, they often have to make decisions that compromise their health. More than two in five underinsured adults reported that they did not fill a prescription because of costs in the past year.¹⁰

The Affordable Health Care for America Act will improve the quality of coverage for millions of Americans by eliminating annual and lifetime caps, putting caps on out-of-pocket costs in place and requiring that all plans meet minimum benefit standards. By ensuring that all Americans have access to quality coverage that provides adequate financial protection, consumers will both have the prescription drug coverage that they need and will be less likely to skip filling necessary prescriptions due to cost.

Americans who have health insurance plans in the individual market are less likely to have prescription drug coverage.

Those who do not have an offer of coverage through their place of work or through a public program often must seek coverage on their own through the individual health insurance market. Coverage in the individual market is often more costly and less comprehensive than group coverage provided through the workplace. In order to obtain affordable coverage, many consumers purchase a plan that limits the benefits covered or includes a high deductible. For example, many plans in the individual market do not include prescription drug coverage. In fact, people with individual coverage are four times more likely to have a plan that does not include prescription drug coverage compared to those with employer-based coverage (20 percent versus 5 percent).¹¹

The Affordable Health Care for America Act, H.R. 3962, would require that all health plans, including those sold in the individual market, cover prescription drugs.

⁹ Cathy Schoen, Sara R. Collins, et al. "How Many Are Underinsured? Trends Among U.S. Adults, 2003 And 2007," *Health Affairs* 27, no. 4 (2008): w298-w309.

¹⁰ Ibid.

¹¹ *Failure to Protect: Why the Individual Insurance Market Is Not a Viable Option for Most U.S. Families* (Washington: The Commonwealth Fund: July 2009).

Americans with chronic conditions have the greatest need for affordable prescription drug coverage.

People with chronic conditions are particularly at risk when it comes to the high cost of prescription drugs. For example, 98 percent of people with diabetes use prescription drugs. In fact, adults with diabetes fill about four times as many prescriptions and spend about four times as much on prescription drugs as the general population.¹² As a result, out-of-pocket spending on prescription drugs is the single largest contributor to health-related financial burdens for those with chronic conditions. Among adults who spent more than 10 percent of their income on out-of-pocket costs (beyond premiums) in two consecutive years, spending on prescription drugs accounted for 55 percent of total out-of-pocket costs. For those with a single chronic condition, prescription drug costs accounted for 36 percent of out-of-pocket spending. Spending on prescription drugs, particularly among those with two or more chronic conditions, dwarfs spending on all other medical services. Out-of-pocket spending on prescription drugs among those with two or more chronic conditions was more than six times higher than out-of-pocket spending for hospital-based services (55 percent versus 9 percent).¹³

The Affordable Health Care for America Act, H.R. 3962, will assist those with chronic conditions by ensuring that everyone has access to quality, affordable coverage that limits out-of-pocket spending on services, including prescription drugs.

Access to affordable, quality health coverage – including prescription drug coverage – will help to improve health outcomes and decrease overall health costs.

Unaffordable prescription drug prices affect Americans across the spectrum. Each day, Americans choose not to fill their prescriptions so they can put food on the table for their families. At the same time, many other Americans cut their pills in half because they cannot afford filling an entire prescription. And every night, a parent goes to bed worrying about how to afford the medicine that someone in their family, even their child, desperately needs.

¹² Center on Aging Society, Georgetown University. Data Profile Number 5, (September 2002), available online at <http://ihcrp.georgetown.edu/agingsociety/pubhtml/rxdrugs/rxdrugs.html>.

¹³ *Chronic Burdens: The Persistently High Out-of-Pocket Health Care Expenses Faced by Many Americans with Chronic Conditions* (Washington: The Commonwealth Fund: July 2009).

We regularly hear stories of people who cannot afford prescription drugs, even from people who have insurance. Consider children with asthma. Parents who cannot afford their employer's coverage may turn to purchase insurance in the individual market. The only policy they can afford has a high deductible and does not include prescription drug coverage. Their child's maintenance medication for asthma costs hundreds of dollars a month that the family simply does not have. As a result, the child skips doses, and ultimately ends up being hospitalized for an asthma attack that could easily have been prevented.

When Americans cut back on the prescriptions they need, they often end up in the hospital. More emergency room visits, hospital admissions or doctor visits may increase overall health care costs. In addition, this simply makes no sense for the health and well-being of people who have chronic diseases that can be managed with prescription drugs.

The Affordable Health Care for America Act will help to ensure that American families have access to affordable, quality health care – including affordable prescription drugs – that they can count on no matter their life circumstances.