



Carlisle Area Health & Wellness Foundation

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Developed by: Public Policy Committee

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Public Policy Recommendations:

Prescription Medications

Federal-State

- Provide funding for mobile pharmacies and expanded rural health care.
- Increase financing and support for health promotion programs to curb chronic disease and decrease reliance on prescription medications.
- Allocate funding for technology upgrades and staff support to increase access to Pharmaceutical Assistance Programs (PAP) offered by pharmaceutical companies.
- Increase funding to support healthcare program enrollment initiatives.
- Standardize applications to facilitate enrollment in government programs and Pharmaceutical Assistance Programs.
- Increase efforts to recruit eligible CHIP, Medicaid, PACE or PACENET enrollees.

Federal

- Revise Medicare Part D to allow the government to negotiate discounted medication pricing.
- Reform patent laws to decrease the time generic medications take to get to the market.
- Require full disclosure of the prices for prescription drugs offered to other entities, such as HMOs, to ensure that government and individual purchasers pay a fair market price.
- Seriously evaluate universal health coverage to assure access to adequate healthcare for all persons and reimbursement for service providers.
- Ban direct-to-consumer advertising by pharmaceutical companies. These ads are designed to sell drugs, not educate consumers.

State

- Continue funding and support for PACE and PACENET.
- Require pharmaceutical companies to publish annual reports of
 - ◊ Expenses for gifts to doctors, hospitals or pharmacists
 - ◊ All costs associated with advertising and marketing, including direct-to-consumer advertising costs
- Create a state-based prescription medication purchasing pool so that uninsured consumers can purchase medications at fair market or discounted prices.

Programmatic Recommendations

- Evaluate government financial support to the pharmaceutical industry to ensure that money is being spent on increasing access, not on marketing and advertising.
- Expand health literacy campaigns so patients become informed consumers and understand the appropriateness of specific prescriptions, availability of cheaper alternatives and any financial incentives for prescribing a drug.

Introduction

Prescription medications are an essential tool in preventing and managing illness. Without these medications, the health of residents of our area is inevitably compromised. Six out of 10 residents in the Carlisle Area Health & Wellness Foundation (CAHWF) service area take at least one prescription medicine per week. The Foundation's *Carlisle Regional Health Status Assessment* (2002) found that approximately one in six area residents had skipped medication or treatment because of cost. More significantly, this figure rose to one in three for residents in fair or poor health.

The rising cost of prescription medications affects everyone, especially seniors, persons with chronic conditions or mental illness, and the uninsured. Unfortunately, 1.4 million Pennsylvanians do not have insurance that covers prescription medications, of whom 75% are not eligible for the Medicare Part D prescription medication benefit. Prescriptions are by far the largest percentage of the average person's out-of-pocket expenditures for healthcare (see graph).

Prescription medication expenditures are rising due to several factors: increased utilization; the substitution of newer, more expensive medications; and price increases for existing medications. From 1994 to 2004, the number of prescriptions purchased increased 68% compared to a US population growth increase of 12%. Between 1994 and 2004 retail prescription prices rose at three times the average annual inflation rate.

This cost increase is not due solely to research costs, however. Taxpayer-funded government grants pay 42% of research and development (R&D) for new medications, and non-industry sources invest another 11%. This means that the industry funds less than half of the R&D costs associated with developing new medications. Despite this, Americans pay higher prices for prescriptions than citizens of any other developed country.

A 2005 report examined data from seven U.S.-based research pharmaceutical companies among the Fortune 500's top 200 companies. Not only did these companies record over \$34 billion in combined profits for 2004, but all spent more on marketing, advertising, and administration than they did on R&D. On average, spending on marketing, advertising, and administration represented 32% of costs, whereas spending on R&D represented 14% of costs.

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Most insurers obtain significant discounts for prescription medications on behalf of their insured beneficiaries. Individuals without coverage, however, face the burden of paying for the retail cost of their medications. Uninsured Pennsylvanians pay an average of 78% more than the federal government for some of the most popular prescriptions. In response to this inequity, three states currently have “buying pool” initiatives for prescription drugs. Massachusetts has a bulk-purchasing program for an estimated 1.6 million-person buying pool, which is projected to save the state and individuals \$200 million annually. A similar state buying pool in Pennsylvania would require drug manufacturers and wholesalers to disclose their lowest prices to the state so the state could negotiate better prices.

Effect on Seniors

Pennsylvania has the nation’s second largest senior population and many of Pennsylvania’s seniors – including almost 74,000 residents of Cumberland, Perry, Franklin, and Adams Counties – depend on prescription medications. Seniors are disproportionately affected by rising medication costs: while seniors comprise 15.3% of the state’s population, they account for 34% of all prescriptions dispensed. The average out-of-pocket health spending by persons over age 65 is more than 20% of their total income.

In 2003, Congress enacted the Medicare Prescription, Improvement, and Modernization Act (MMA), which created the Medicare Part D benefit program. However, the legislation left gaps in prescription medication benefits and most beneficiaries still have some out-of-pocket costs, including monthly premiums, an annual deductible and co-payments.

Effect on Medicaid Recipients,

Dual-Eligibles and Uninsured Persons

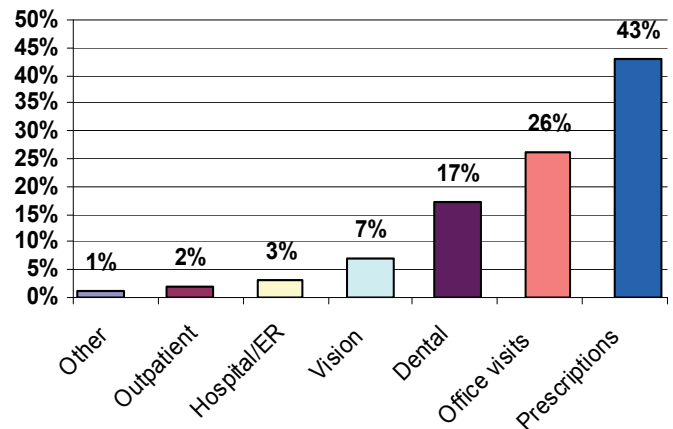
Under the MMA, over 250,000 Pennsylvanians who are eligible for both Medicaid and Medicare, known as *dual-eligibles*, now receive prescription medications through Medicare instead of Medicaid. Dual-eligibles are among the neediest citizens: 73% earn less than \$10,000, 37% are disabled and 34% have a mental impairment.

Comprehensive prescription coverage is an essential benefit for Pennsylvania Medicaid’s 1.7 million low-income beneficiaries who are not dual-eligibles. Medicaid is Pennsylvania’s second largest expenditure next to education. The state’s Medicaid cost growth has been fueled largely by increasing prescription medication costs and by a 7% annual enrollment increase.

The rise in prescription medication costs has particularly affected uninsured Pennsylvanians who represent 12% of state residents (approximately 1.4 million people). In the area served by CAHWF, 8.7% of residents do not have health insurance. Uninsured patients who purchase medications typically pay a higher price than their insured counterparts.

In Pennsylvania, 80% of uninsured children and adults under age 65 live in working families. Even families with two full-time wage earners have a 10% chance of being uninsured.

% of Out-of Pocket Healthcare Spending for Average Person by Type of Service - 2003



Figures do not equal 100% due to rounding.

Citation: Kaiser Family Foundation Snapshots: Healthcare Costs, May 2006

Because these men and women work, they often do not qualify for government programs; however, their low paying jobs do not include benefits such as health care.

Prescription Medications and Rural Residents

In general, rural communities face greater health challenges than their non-rural counterparts. In Perry, Franklin and Adams Counties, lack of health care access has been attributed to lack of public transportation and the need to travel out of the county for services. The large eligible population and rural characteristics of the region create an additional Medicare Part D enrollment barrier. Additionally, public assistance recipients in rural areas are more likely than their urban counterparts to lose insurance coverage and to spend disproportionately on prescription medications.

Conclusion

Legislative action and governmental support are necessary to ensure that soaring prescription prices and inappropriate medication usage do not compromise the health of Pennsylvanians. For the area’s most vulnerable populations, including seniors, working families, and rural residents, high costs force consumers to make difficult choices between purchasing essential prescription drugs and paying for other necessities. The Carlisle Area Health & Wellness Foundation has collaborated with and funded a variety of local organizations to help lessen the prescription medication burden, but legislative and administrative action on a broader level is needed.



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