Hard to Swallow

Rising Drug Prices for America's Seniors

A REPORT BY

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Support for this report was generously provided by
The Retirement Research Foundation

November 1999

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Families USA Publication No. 99-107

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INTRODUCTION

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 still excluded from Medicare, and the elderly are the last major *insured* consumer group without access to prescription drugs as a standard benefit. Although many Medicare beneficiaries have access to supplemental prescription drug coverage, too often that coverage is very expensive and very limited in scope. What is more, such coverage is on the decline. As a result, older Americans—who are by far the greatest consumers of prescription drugs—pay a larger share of drug costs out of their own pockets than do those who are under 65. This means the prices of prescription drugs have a greater impact on older Americans than on younger persons.

Four years ago, Families USA found that the prices of prescription drugs commonly used by older Americans were rising faster than the rate of inflation.[1] To determine if this trend of steadily increasing prices for prescription drugs has improved, remained the same, or worsened, Families USA gathered information on the prices of the prescription drugs most heavily used by older Americans over the past five years. Using data from the Pennsylvania Pharmaceutical Assistance Contract for the Elderly (PACE) program, we analyzed the prices of the 50 top-selling prescription drugs most heavily used by older persons.

Our analysis shows that, in each of the past five years, the prices of the 50 prescription drugs most used by older Americans have increased considerably faster than inflation. While senior citizens generally live on fixed incomes that are adjusted to keep up with the rate of inflation, the cost of the prescription drugs they purchase most frequently has risen at approximately two times the rate of inflation over the past five years and more than four times the rate of inflation in the last year.

FINDINGS

- The prices of the 50 prescription drugs[2] most frequently used by the elderly rose by more than four times the rate of inflation during calendar year 1998.* On average, the prices of these top 50 drugs increased by 6.6 percent from January 1998 to January 1999, though the general rate of inflation in that period was 1.6 percent. (See Table 1.)

- From January 1998 to January 1999, of the 50 drugs most commonly used by the elderly:
  - More than two-thirds of these drugs (36 out of 50) rose two or more times faster than the rate of inflation.
  - Nearly half of these drugs (23 out of 50) rose at more than three times the rate of inflation.
  - Over one-third of these drugs (17 out of 50) rose at more than four times the rate of inflation.

- Among the 50 drugs most frequently used by seniors, the following drugs rose most significantly in price from January 1998 to January 1999:
  - Lorazepam (manufactured by Mylan and used to treat conditions such as anxiety, convulsions, and Parkinson's), which rose by over 279.4 percent (more than 179 times the rate of inflation);
  - Furosemide (a diuretic manufactured by Watson that is used to treat conditions such as hypertension and congestive heart failure), which rose by 106.6 percent (more than 68 times the rate of inflation);
  - Lanoxin (manufactured by Glaxo Wellcome and used to treat congestive heart failure), which rose by 15.4 percent (almost 10 times the rate of inflation);
  - Xalatan (manufactured by Pharmacia & Upjohn and used to treat glaucoma), which rose by 14.5 percent (more than nine times the rate of inflation); and

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

- Atrovent (manufactured by Boehringer Ingelheim and used as a respiratory agent in the treatment of asthma, bronchitis, and emphysema), which rose by 14.1 percent (more than nine times the rate of inflation).

- Over the five years from January 1994 to January 1999, the prices of the 50 prescription drugs most frequently used by older Americans rose twice as fast as the rate of inflation. On average, the prices of these drugs rose by 25.2 percent—twice the rate of inflation, which was 12.8 percent over that period. (See Table 2.)

- Of the 50 drugs most frequently used by older Americans, 39 have been on the market for the five-year period from January 1994 to January 1999.
  - The prices of 36 of those 39 drugs increased faster than the rate of inflation over the five-year period.
  - More than two-thirds of those drugs (28 out of 39) rose at least 1.5 times as fast as the rate of inflation over the five-year period.
  - Nearly half of those drugs (19 out of 39) rose at more than two times the rate of inflation over the five-year period.
  - More than one-fourth of those drugs (10 out of 39) rose at least three times the rate of inflation over the five-year period.

- Of the 39 drugs that were used most frequently by seniors and that were on the market for the period from January 1994 to January 1999, the drugs that rose most significantly in price are:
  - Lorazepam, which rose by over 385 percent (more than 30 times the rate of inflation);
  - Imdur (manufactured by Schering and used to treat angina), which rose by 111 percent (almost nine times the rate of inflation);
  - Furosemide, which rose by 107 percent (more than eight times the rate of inflation);
  - Lanoxin, which rose by 88 percent (almost seven times the rate of inflation); and

- Klor-Con 10 (manufactured by Upsher-Smith and used as a potassium replacement), which rose by 84 percent (more than six times the rate of inflation).

- Of the 39 drugs that were used most frequently by seniors and that were on the market for the period from January 1994 to January 1999, 31 increased in price on at least five occasions during those five years. During those years, the following drugs increased in price at least seven times:
  - Imdur, which increased 10 times;
  - Premarin (manufactured by Wyeth-Ayerst and used as an estrogen replacement), which increased eight times;
  - Atrovent, which increased eight times;
  - Pravachol (manufactured by Bristol-Myers Squibb and used to reduce cholesterol), which increased seven times;
  - Synthroid (manufactured by Knoll and used as a synthetic thyroid agent), which increased seven times; and
  - K-Dur 20 (manufactured by Schering and used as a potassium replacement), which increased seven times.

- During the last two years, there has been an acceleration in price increases of the drugs most commonly used by seniors. From 1995 to 1996 and 1996 to 1997, those drug prices rose 1.3 and 1.2 times faster, respectively, than the rate of inflation. From 1997 to 1998 and 1998 to 1999, those drug prices rose 1.7 and 4.2 times faster, respectively, than the rate of inflation.

- The median net profit for manufacturers of the 50 most prescribed drugs for senior citizens was 20.0 percent in 1998—4.5 times larger than the median net profit of 4.4 percent for all Fortune 500 companies. (See Table 4.)

Table 1

Annual Percent Change in Price of the Top 50 Drugs (by Number of Claims) Used by the Elderly[a]

Rank by # of Claims	Brand Name Drug	Strength		Dose Form	94-95 % Price Change	95-96 % Price Change	96-97 % Price Change	97-98 % Price Change	98-99 % Price Change	94-95 Multiple of CPI	95-96 Multiple of CPI	96-97 Multiple of CPI	97-98 Multiple of CPI	98-99 Multiple of CPI
1	Lanoxin	[b] 0.13	mg	tab	4.1%	4.9%	18.8%	25.4%	15.4%	1.6	1.7	6.4	11.1	9.9
2	Prilosec	20	mg	cap cr	-2.1%	0.0%	0.0%	3.8%	2.7%	(0.8)	0.0	0.0	1.7	1.7
3	Norvasc	5	mg	tab	4.0%	3.5%	3.0%	2.7%	2.6%	1.6	1.2	1.0	1.2	1.7
4	K-Dur 20	20	meq	tab cr	5.5%	7.5%	10.0%	4.9%	6.2%	2.1	2.7	3.4	2.1	4.0
5	Pepcid	20	mg	tab	3.4%	3.8%	3.7%	3.5%	3.1%	1.3	1.3	1.2	1.5	2.0
6	Lanoxin	[b] 0.25	mg	tab	4.1%	4.9%	18.8%	25.4%	15.4%	1.6	1.7	6.4	11.1	9.9
7	Imdur	[b] 60	mg	tab er	23.1%	29.7%	10.0%	9.6%	9.6%	9.0	10.5	3.4	4.2	6.2
8	Synthroid	[b] 0.1	mg	tab	4.8%	5.8%	3.5%	9.3%	9.8%	1.9	2.1	1.2	4.0	6.3
9	Vasotec	5	mg	tab	3.4%	4.2%	3.2%	3.9%	3.2%	1.3	1.5	1.1	1.7	2.0
10	Procardia XL	30	mg	tab cr	4.0%	3.5%	3.0%	2.7%	2.6%	1.6	1.2	1.0	1.2	1.7
11	Glucophage	500	mg	tab	*nm*	*nm*	8.2%	7.4%	12.3%	*nm*	*nm*	2.8	3.2	7.9
12	Lipitor	10	mg	tab	*nm*	*nm*	*nm*	*nm*	3.0%	*nm*	*nm*	*nm*	*nm*	1.9
13	Fosamax	10	mg	tab	*nm*	*nm*	3.7%	3.2%	6.8%	*nm*	*nm*	1.3	1.4	4.4
14	Synthroid	[b] 0.05	mg	tab	4.7%	6.1%	3.8%	9.3%	9.8%	1.8	2.2	1.3	4.1	6.3
15	Zoloft	50	mg	tab	8.3%	3.5%	3.0%	2.7%	2.6%	3.3	1.2	1.0	1.2	1.7
16	Vasotec	10	mg	tab	3.4%	4.2%	3.2%	3.9%	3.2%	1.3	1.5	1.1	1.7	2.0
17	Xalatan	0.01	%	sol	*nm*	*nm*	*nm*	4.0%	14.5%	*nm*	*nm*	*nm*	1.8	9.3
18	Premarin	0.63	mg	tab	6.4%	6.4%	7.4%	4.4%	8.0%	2.5	2.3	2.5	1.9	5.1
19	Cardizem CD	[b] 240	mg/24 hr	cap	4.4%	0.0%	4.9%	4.0%	4.0%	1.7	0.0	1.7	1.8	2.5
20	Humulin N	[b] 100	IU	inj	3.5%	3.5%	10.0%	4.9%	5.0%	1.4	1.2	3.4	2.1	3.2
21	APAP/propoxyphene	[b] 650	mg	tab	22.6%	0.0%	0.0%	0.0%	0.0%	8.8	0.0	0.0	0.0	0.0
22	Cozaar	50	mg	tab	*nm*	*nm*	*3.7%*	6.0%	3.5%	*nm*	*nm*	1.2	2.6	2.2
23	Cardizem CD	[b] 180	mg/24 hr	cap	4.4%	0.0%	4.9%	4.0%	4.0%	1.7	0.0	1.7	1.7	2.5
24	Norvasc	10	mg	tab	4.0%	3.5%	3.0%	0.0%	0.0%	1.6	1.2	1.0	0.0	0.0
25	albuterol	[b] 90	mcg	aerosol	*nm*	*nm*	0.0%	0.0%	0.0%	*nm*	*nm*	0.0	0.0	0.0
26	Coumadin	[b] 5	mg	tab	3.5%	4.3%	4.0%	3.8%	4.9%	1.4	1.5	1.4	1.7	3.1
27	Zocor	10	mg	tab	4.4%	3.9%	3.9%	3.5%	3.9%	1.7	1.4	1.3	1.5	2.5
28	Zocor	20	mg	tab	4.4%	3.9%	0.0%	3.5%	3.9%	1.7	1.4	–	1.5	2.5
29	Synthroid	[b] 0.08	mg	tab	4.6%	6.0%	3.8%	9.0%	9.8%	1.8	2.1	1.3	3.9	6.3
30	Imdur	[b] 30	mg	tab er	*nm*	*nm*	10.0%	9.6%	9.6%	*nm*	*nm*	3.4	4.2	6.2
31	Atrovent	0.02	mg/ac	inh aer	7.7%	3.5%	3.0%	4.9%	14.1%	3.0	1.2	1.0	2.2	9.1
32	Procardia XL	60	mg	tab cr	4.0%	3.5%	3.0%	2.7%	2.6%	1.6	1.2	1.0	1.2	1.7
33	Miacalcin	200	IU/ac	spray	*nm*	*nm*	*nm*	8.7%	4.2%	*nm*	*nm*	*nm*	3.8	2.7
34	ranitidine HCl	[b] 150	mg	tab	*nm*	*nm*	*nm*	*nm*	0.0%	*nm*	*nm*	*nm*	*nm*	0.0
35	Zestril	[b] 10	mg	tab	0.0%	4.2%	4.0%	4.0%	3.8%	0.0	1.5	1.4	1.7	2.4
36	Toprol XL	50	mg	tab	0.0%	9.8%	8.1%	5.0%	5.0%	0.0	3.5	2.8	2.2	3.2
37	Pravachol	20	mg	tab	5.0%	4.0%	4.0%	4.9%	10.2%	2.0	1.4	1.4	2.1	6.6
38	Coumadin	[b] 2	mg	tab	3.6%	4.0%	4.1%	3.8%	4.9%	1.4	1.4	1.4	1.7	3.1
39	Klor-Con 10	[b] 10	meq	tab er	31.9%	4.0%	25.3%	7.0%	0.0%	12.5	1.4	8.6	3.1	0.0
40	Ultram	50	mg	tab	*nm*	*nm*	3.9%	9.0%	9.6%	*nm*	*nm*	1.3	3.9	6.2
41	Mevacor	20	mg	tab	4.4%	3.9%	3.9%	3.5%	0.0%	1.7	1.4	1.3	1.5	0.0
42	Paxil	20	mg	tab	4.0%	8.6%	4.5%	3.9%	3.9%	1.6	3.0	1.5	1.7	2.5
43	furosemide	[b] 40	mg	tab	0.0%	0.0%	0.0%	0.0%	106.6%	0.0	0.0	0.0	0.0	68.4
44	Propulsid	10	mg	tab	4.9%	3.9%	3.9%	4.9%	9.0%	1.9	1.4	1.3	2.1	5.8
45	Relafen	500	mg	tab	4.0%	8.7%	4.5%	3.9%	4.9%	1.6	3.1	1.5	1.7	3.1
46	Cardizem CD	[b] 120	mg/24 hr	cap	4.4%	0.0%	5.0%	4.0%	4.0%	1.7	0.0	1.7	1.7	2.6
47	metoprolol	[b] 50	mg	tab	2.5%	10.7%	-1.9%	0.0%	0.0%	1.0	3.8	(0.7)	0.0	0.0
48	Nitrostat	[b] 0.4	mg	sub	4.6%	9.4%	4.6%	8.9%	4.0%	1.8	3.3	1.6	3.9	2.6
49	lorazepam	[b] 0.5	mg	tab	9.4%	13.8%	2.7%	0.0%	279.4%	3.7	4.9	0.9	0.0	179.4
50	Demadex	20	mg	tab	*nm*	9.8%	11.8%	3.5%	0.0%	*nm*	3.4	4.0	1.5	0.0
Top 50 Drugs, Average Weighted by Sales[c]					**4.0%**	**3.7%**	**3.5%**	**4.0%**	**6.6%**	**1.6**	**1.3**	**1.2**	**1.7**	**4.2**
CPI - All Items, Annual Percent Change					**2.6%**	**2.8%**	**3.0%**	**2.3%**	**1.6%**					

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 1998 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-Chek PC, published by MediSpan (First Databank, Indianapolis), October 1999.

Table 2

Cumulative Price Change 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 1994-1999	Cumulative Changes 1994-1999	Multiple of CPI 1994-1999
1	Lanoxin	b 0.13	mg	tab	Cardiac Glycoside	6	87.6%	6.8
2	Prilosec	20.0	mg	cap cr	Gastrointestinal Agent	4	4.4%	0.3
3	Norvasc	5	mg	tab	Calcium Channel Blocker	5	16.8%	1.3
4	K-Dur 20	20	meq	tab cr	Potassium Replacement	7	39.0%	3.0
5	Pepcid	20	mg	tab	Gastrointestinal Agent	5	18.7%	1.5
6	Lanoxin	b 0.25	mg	tab	Cardiac Glycoside	6	87.6%	6.8
7	Imdur	b 60	mg	tab er	Vasodilator	10	111.2%	8.7
8	Synthroid	b 0.1	mg	tab	Synthetic Thyroid Agent	7	37.8%	3.0
9	Vasotec	5	mg	tab	ACE Inhibitor	5	19.2%	1.5
10	Procardia XL	30	mg	tab cr	Calcium Channel Blocker	5	16.8%	1.3
11	Glucophage	500	mg	tab	Oral Antidiabetic Agent	4	*nm*	*nm*
12	Lipitor	10	mg	tab	Lipid-Lowering Agent	1	*nm*	*nm*
13	Fosamax	10	mg	tab	Osteoporosis Treatment	4	*nm*	*nm*
14	Synthroid	b 0.05	mg	tab	Synthetic Thyroid Agent	7	38.3%	3.0
15	Zoloft	50	mg	tab	Antidepressant	5	21.7%	1.7
16	Vasotec	10	mg	tab	ACE Inhibitor	5	19.2%	1.5
17	Xalatan	0.01	%	sol	Glaucoma Treatment	2	*nm*	*nm*
18	Premarin	0.63	mg	tab	Estrogen Replacement	8	37.1%	2.9
19	Cardizem CD	b 240	mg/24 hr	cap	Calcium Channel Blocker	5	18.5%	1.4
20	Humulin N	b 100	IU	inj	Insulin Anti-Diabetic Agent	5	29.8%	2.3
21	APAP/propoxyphene	b 650	mg	tab	Opiate Agonist	1	22.6%	1.8
22	Cozaar	50	mg	tab	Angiotensin II Inhibitor	3	*nm*	*nm*
23	Cardizem CD	b 180	mg/24 hr	cap	Calcium Channel Blocker	5	18.4%	1.4
24	Norvasc	10	mg	tab	Calcium Channel Blocker	4	10.9%	0.8
25	albuterol	b 90	mcg	aerosol	Respiratory Agent	0	*nm*	*nm*
26	Coumadin	b 5	mg	tab	Anticoagulant	5	22.2%	1.7
27	Zocor	10	mg	tab	Lipid-Lowering Agent	4	21.2%	1.7
28	Zocor	20	mg	tab	Lipid-Lowering Agent	3	16.6%	1.3
29	Synthroid	b 0.08	mg	tab	Synthetic Thyroid Agent	7	37.8%	3.0
30	Imdur	b 30	mg	tab er	Vasodilator	6	*nm*	*nm*
31	Atrovent	0.02	mg/ac	inh aer	Respiratory Agent	8	37.5%	2.9
32	Procardia XL	60	mg	tab cr	Calcium Channel Blocker	5	16.8%	1.3
33	Miacalcin	200	IU/ac	spray	Calcitonin Replacement	5	*nm*	*nm*
34	ranitidine HCl	b 150	mg	tab	Gastrointestinal Agent	0	*nm*	*nm*
35	Zestril	b 10	mg	tab	ACE Inhibitor	4	17.0%	1.3
36	Toprol XL	50	mg	tab	Beta Blocker	6	31.0%	2.4
37	Pravachol	20	mg	tab	Lipid-Lowering Agent	7	31.4%	2.5
38	Coumadin	b 2	mg	tab	Anticoagulant	5	22.0%	1.7
39	Klor-Con 10	b 10	meq	tab er	Potassium Replacement	5	83.9%	6.6
40	Ultram	50	mg	tab	Anti-Inflammatory/Analgesic	4	*nm*	*nm*
41	Mevacor	20	mg	tab	Lipid-Lowering Agent	4	16.6%	1.3
42	Paxil	20	mg	tab	Antidepressant	5	27.4%	2.1
43	furosemide	b 40	mg	tab	Loop Diuretic	1	106.6%	8.3
44	Propulsid	10	mg	tab	Gastrointestinal Agents	6	29.5%	2.3
45	Relafen	500	mg	tab	Anti-Inflammatory/Analgesic	6	28.8%	2.2
46	Cardizem CD	b 120	mg/24 hr	cap	Calcium Channel Blocker	5	18.6%	1.5
47	metoprolol	b 50	mg	tab	Beta Blocker	6	11.3%	0.9
48	Nitrostat	b 0.4	mg	sub	Vasodilator	5	35.5%	2.8
49	lorazepam	b 0.5	mg	tab	Benzodiazepine Anxiolytic	5	385.4%	30.1
50	Demadex	20	mg	tab	Loop Diuretic	6	*nm*	*nm*
Top 50 Drugs, Average Weighted by Sales[c]						**4.8**	**25.2%**	**2.0**
CPI - All Items, Cumulative Percent Change							**12.8%**	

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 1998 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-Chek PC, published by MediSpan (First Databank, Indianapolis), October 1999.

Table 3

Wholesale Cost Per Year of Therapy for Top 50 Drugs (by Number of Claims) Used by the Elderly[a]

Rank by # of Claims	Brand Name Drug	Strength		Dose Form	1994 Cost/ Year	1995 Cost/ Year	1996 Cost/ Year	1997 Cost/ Year	1998 Cost/ Year	1999 Cost/ Year	Oct-99 Cost/ Year
1	Lanoxin	[b] 0.13	mg	tab	$ 39	$ 41	$ 43	$ 51	$ 64	$ 74	$ 74
2	Prilosec	20	mg	cap cr	$ 1,353	$ 1,325	$ 1,325	$ 1,325	$ 1,375	$ 1,412	$ 1,455
3	Norvasc	5	mg	tab	$ 414	$ 430	$ 445	$ 459	$ 471	$ 483	$ 483
4	K-Dur 20	20	meq	tab cr	$ 252	$ 266	$ 286	$ 315	$ 330	$ 351	$ 365
5	Pepcid	20	mg	tab	$ 524	$ 542	$ 562	$ 583	$ 603	$ 622	$ 646
6	Lanoxin	[b] 0.25	mg	tab	$ 39	$ 41	$ 43	$ 51	$ 64	$ 74	$ 74
7	Imdur	[b] 60	mg	tab er	$ 237	$ 291	$ 378	$ 416	$ 456	$ 500	$ 525
8	Synthroid	[b] 0.1	mg	tab	$ 75	$ 78	$ 83	$ 86	$ 94	$ 103	$ 108
9	Vasotec	5	mg	tab	$ 322	$ 333	$ 347	$ 358	$ 372	$ 384	$ 398
10	Procardia XL	30	mg	tab cr	$ 432	$ 450	$ 465	$ 479	$ 492	$ 505	$ 505
11	Glucophage	500	mg	tab	*nm*	*nm*	$ 507	$ 548	$ 589	$ 661	$ 661
12	Lipitor	10	mg	tab	*nm*	*nm*	*nm*	*nm*	$ 666	$ 686	$ 686
13	Fosamax	10	mg	tab	*nm*	*nm*	$ 609	$ 631	$ 651	$ 696	$ 741
14	Synthroid	[b] 0.05	mg	tab	$ 66	$ 69	$ 73	$ 76	$ 83	$ 91	$ 95
15	Zoloft	50	mg	tab	$ 681	$ 738	$ 764	$ 787	$ 808	$ 829	$ 829
16	Vasotec	10	mg	tab	$ 338	$ 349	$ 364	$ 376	$ 390	$ 403	$ 418
17	Xalatan	0.01	%	sol	*nm*	*nm*	*nm*	$ 331	$ 345	$ 394	$ 394
18	Premarin	0.63	mg	tab	$ 135	$ 144	$ 153	$ 165	$ 172	$ 186	$ 208
19	Cardizem CD	[b] 240	mg/24 hr	cap	$ 204	$ 213	$ 213	$ 224	$ 233	$ 242	$ 252
20	Humulin N	[b] 100	IU	inj	$ 307	$ 318	$ 329	$ 362	$ 380	$ 399	$ 419
21	APAP/propoxyphene	[b] 650	mg	tab	$ 314	$ 385	$ 385	$ 385	$ 385	$ 385	$ 423
22	Cozaar	50	mg	tab	*nm*	*nm*	$ 402	$ 416	$ 441	$ 457	$ 457
23	Cardizem CD	[b] 180	mg/24 hr	cap	$ 151	$ 157	$ 157	$ 165	$ 172	$ 179	$ 186
24	Norvasc	10	mg	tab	$ 716	$ 745	$ 771	$ 794	$ 794	$ 794	$ 794
25	albuterol	[b] 90	mcg	aerosol	*nm*	*nm*	$ 313	$ 313	$ 313	$ 313	$ 313
26	Coumadin	[b] 5	mg	tab	$ 193	$ 200	$ 208	$ 217	$ 225	$ 236	$ 248
27	Zocor	10	mg	tab	$ 657	$ 686	$ 713	$ 741	$ 766	$ 796	$ 796
28	Zocor	20	mg	tab	$ 1,191	$ 1,243	$ 1,292	$ 1,292	$ 1,337	$ 1,389	$ 1,389
29	Synthroid	[b] 0.08	mg	tab	$ 73	$ 76	$ 81	$ 84	$ 92	$ 101	$ 105
30	Imdur	[b] 30	mg	tab er	*nm*	*nm*	$ 359	$ 395	$ 433	$ 475	$ 498
31	Atrovent	0.02	mg/ac	inh aer	$ 382	$ 411	$ 425	$ 438	$ 460	$ 525	$ 546
32	Procardia XL	60	mg	tab cr	$ 748	$ 778	$ 805	$ 829	$ 852	$ 874	$ 874
33	Miacalcin	200	IU/ac	spray	*nm*	*nm*	*nm*	$ 411	$ 447	$ 466	$ 484
34	ranitidine HCl	[b] 150	mg	tab	*nm*	*nm*	*nm*	*nm*	$ 540	$ 540	$ 540
35	Zestril	[b] 10	mg	tab	$ 285	$ 285	$ 297	$ 309	$ 321	$ 333	$ 339
36	Toprol XL	50	mg	tab	$ 155	$ 155	$ 171	$ 185	$ 194	$ 204	$ 204
37	Pravachol	20	mg	tab	$ 632	$ 663	$ 690	$ 717	$ 753	$ 830	$ 830
38	Coumadin	[b] 2	mg	tab	$ 185	$ 192	$ 199	$ 207	$ 215	$ 226	$ 237
39	Klor-Con 10	[b] 10	meq	tab er	$ 108	$ 143	$ 148	$ 186	$ 199	$ 199	$ 286
40	Ultram	50	mg	tab	*nm*	*nm*	$ 876	$ 910	$ 992	$ 1,088	$ 1,131
41	Mevacor	20	mg	tab	$ 729	$ 761	$ 790	$ 821	$ 850	$ 850	$ 882
42	Paxil	20	mg	tab	$ 638	$ 664	$ 721	$ 753	$ 783	$ 813	$ 850
43	furosemide	[b] 40	mg	tab	$ 18	$ 18	$ 18	$ 18	$ 18	$ 38	$ 57
44	Propulsid	10	mg	tab	$ 876	$ 919	$ 955	$ 992	$ 1,041	$ 1,134	$ 1,171
45	Relafen	500	mg	tab	$ 687	$ 714	$ 776	$ 811	$ 843	$ 884	$ 884
46	Cardizem CD	[b] 120	mg/24 hr	cap	$ 122	$ 127	$ 127	$ 133	$ 139	$ 144	$ 150
47	metoprolol	[b] 50	mg	tab	$ 314	$ 322	$ 357	$ 350	$ 350	$ 350	$ 386
48	Nitrostat	[b] 0.4	mg	sub	$ 12	$ 13	$ 14	$ 14	$ 16	$ 16	$ 17
49	lorazepam	[b] 0.5	mg	tab	$ 97	$ 106	$ 120	$ 124	$ 124	$ 469	$ 469
50	Demadex	20	mg	tab	*nm*	$ 187	$ 205	$ 229	$ 237	$ 237	$ 233

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

[a] Based on price as of January 15 for each year and usual dose as reported in Price-Chek PC. Drugs are listed in descending order of claims.

[b] 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-Chek PC, published by MediSpan (First Databank, Indianapolis), October 1999.

Table 4

Profits of Manufacturer of the Top 50 Drugs (by Number of Claims) Used by the Elderly[a]

Rank by # of Claims	Brand Name Drug	Strength		Dose Form	Manufacturer	1994 Firm Net Profit	1995 Firm Net Profit	1996 Firm Net Profit	1997 Firm Net Profit	1998 Firm Net Profit
1	Lanoxin	b 0.13	mg	tab	Glaxo Wellcome	21.8%	33.1%	23.9%	23.2%	*na*
2	Prilosec	20	mg	cap cr	Astra	24.2%	24.5%	24.2%	22.7%	20.6%
3	Norvasc	5	mg	tab	Pfizer	15.7%	15.7%	17.1%	17.7%	23.0%
4	K-Dur 20	20	meq	tab cr	Schering	19.8%	17.4%	21.4%	21.3%	21.4%
5	Pepcid	20	mg	tab	Merck	20.0%	20.0%	19.6%	19.5%	20.0%
6	Lanoxin	b 0.25	mg	tab	Glaxo Wellcome	21.8%	33.1%	23.9%	23.2%	*na*
7	Imdur	b 60	mg	tab er	Schering	19.8%	17.4%	21.4%	21.3%	21.4%
8	Synthroid	b 0.1	mg	tab	Knoll	2.8%	5.2%	5.8%	5.7%	6.0%
9	Vasotec	5	mg	tab	Merck	20.0%	20.0%	19.6%	19.5%	20.0%
10	Procardia XL	30	mg	tab cr	Pfizer	15.7%	15.7%	17.1%	17.7%	23.0%
11	Glucophage	500	mg	tab	Bristol-Myers Squibb	*nm*	*nm*	18.9%	19.2%	19.9%
12	Lipitor	10	mg	tab	Parke-Davis	*nm*	*nm*	*nm*	*nm*	12.3%
13	Fosamax	10	mg	tab	Merck	*nm*	*nm*	19.6%	19.5%	20.0%
14	Synthroid	b 0.05	mg	tab	Knoll	2.8%	5.2%	5.8%	5.7%	6.0%
15	Zoloft	50	mg	tab	Pfizer	15.7%	15.7%	17.1%	17.7%	23.0%
16	Vasotec	10	mg	tab	Merck	20.0%	20.0%	19.6%	19.5%	20.0%
17	Xalatan	0.01	%	sol	Pharmacia & Upjohn	*nm*	*nm*	*nm*	4.8%	10.0%
18	Premarin	0.63	mg	tab	Wyeth-Ayerst	17.0%	12.6%	13.4%	11.6%	18.4%
19	Cardizem CD	b 240	mg/24 hr	cap	HMR	2.7%	4.3%	5.3%	4.0%	1.9%
20	Humulin N	b 100	IU	inj	Lilly	22.5%	33.9%	20.7%	–4.5%	22.7%
21	APAP/propoxyphene	b 650	mg	tab	Mylan	*na*	*na*	*na*	*na*	*na*
22	Cozaar	50	mg	tab	Merck	*nm*	*nm*	19.6%	19.5%	20.0%
23	Cardizem CD	b 180	mg/24 hr	cap	HMR	2.7%	4.3%	5.3%	4.0%	1.9%
24	Norvasc	10	mg	tab	Pfizer	15.7%	15.7%	17.1%	17.7%	23.0%
25	albuterol	b 90	mcg	aerosol	Warrick	*nm*	*nm*	*na*	*na*	*na*
26	Coumadin	b 5	mg	tab	DuPont	*na*	*na*	*na*	*na*	*na*
27	Zocor	10	mg	tab	Merck	20.0%	20.0%	19.6%	19.5%	20.0%
28	Zocor	20	mg	tab	Merck	20.0%	20.0%	19.6%	19.5%	20.0%
29	Synthroid	b 0.08	mg	tab	Knoll	2.8%	5.2%	5.8%	5.7%	6.0%
30	Imdur	b 30	mg	tab er	Schering	*nm*	*nm*	21.4%	21.3%	21.4%
31	Atrovent	0.02	mg/ac	inh aer	Boehringer Ingelheim	4.0%	4.2%	4.6%	5.0%	5.1%
32	Procardia XL	60	mg	tab cr	Pfizer	15.7%	15.7%	17.1%	17.7%	23.0%
33	Miacalcin	200	IU/ac	spray	Novartis	*nm*	*nm*	*nm*	16.7%	*na*
34	ranitidine HCl	b 150	mg	tab	Novopharm	*nm*	*nm*	*nm*	*nm*	*na*
35	Zestril	b 10	mg	tab	Zeneca	14.7%	6.9%	12.0%	7.0%	*na*
36	Toprol XL	50	mg	tab	Astra	24.2%	24.5%	24.2%	22.7%	20.6%
37	Pravachol	20	mg	tab	Bristol-Myers Squibb	15.4%	13.2%	18.9%	19.2%	19.9%
38	Coumadin	b 2	mg	tab	DuPont	*na*	*na*	*na*	*na*	*na*
39	Klor-Con 10	b 10	meq	tab er	Upsher-Smith	*na*	*na*	*na*	*na*	*na*
40	Ultram	50	mg	tab	McNeil Pharm	*nm*	*nm*	13.4%	14.6%	13.0%
41	Mevacor	20	mg	tab	Merck	20.0%	20.0%	19.6%	19.5%	20.0%
42	Paxil	20	mg	tab	SKB	13.7%	17.3%	13.1%	13.8%	*na*
43	furosemide	b 40	mg	tab	Watson	*na*	*na*	*na*	*na*	*na*
44	Propulsid	10	mg	tab	Janssen	12.7%	12.8%	13.4%	14.6%	12.9%
45	Relafen	500	mg	tab	SKB	13.7%	17.3%	13.1%	13.8%	*na*
46	Cardizem CD	b 120	mg/24 hr	cap	HMR	2.7%	4.3%	5.3%	4.0%	1.9%
47	metoprolol	b 50	mg	tab	Mylan	*na*	*na*	*na*	*na*	*na*
48	Nitrostat	b 0.4	mg	sub	Parke-Davis	10.8%	10.5%	10.9%	10.6%	12.3%
49	lorazepam	b 0.5	mg	tab	Mylan	*na*	*na*	*na*	*na*	*na*
50	Demadex	20	mg	tab	Roche	*nm*	22.9%	24.4%	–10.8%	17.8%
Top 50 Drugs, Median Net Profit of Firms						**15.7%**	**15.7%**	**18.0%**	**17.7%**	**20.0%**
Fortune 500 Median Firm, Net Profit						**4.6%**	**4.8%**	**5.0%**	**4.9%**	**4.4%**
Drug Firm Median Net Profit as Multiple of Fortune 500 Median Net Profit						**3.4**	**3.3**	**3.6**	**3.6**	**4.5**

na Net profit for the firm was not available. *nm* Drug product not marketed during part or all of the period indicated.

[a] Based on net profit as a percent of revenue as reported each year in corporate annual reports or in the Fortune 500 report (April issue).

[b] Generic or co-marketed versions of this drug product are available. Drugs are listed in descending order of claims.

SOURCE: Compiled by PRIME Institute, University of Minnesota for Families USA. Based on data from the Pennsylvania Pharmaceutical Assistance Contract for the Elderly (PACE); data found in corporate annual reports or in the Fortune 500 report (April issue, each year) in *Fortune* magazine; and data found in "Top 50 Pharmaceutical Companies" report in *Medical Advertising News* (September issue, each year).

NOTES TO TABLES

Tables 1-4:
Drug names that are capitalized are brand names. The drugs that are not capitalized are 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-millionthof 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
inh ae - inhalant aerosol
sub - sublingual, or under the tongue

Table 4:
Profit data for some years for Glaxo Wellcome, Novartis, and SmithKline Beecham (SKB) were not contained in published sources.

Mylan, Novopharm, Upsher-Smith, and Watson are privately held and profit data are not public.

In the case of Warrick and DuPont, the company's drug manufacturing subsidiary accounts for a very small portion of the company's earnings and profits.

METHODOLOGY

This report uses data from the Pennsylvania Pharmaceutical Assistance Contract for the Elderly (PACE) program. PACE is the largest outpatient prescription drug program for older Americans in the United States. In 1998, 241,496 persons were enrolled in the PACE program, and the program filled 9,406,499 prescriptions. Because of its large size and abundance of claims data, the PACE database is commonly used to proxy the elderly's prescription drug use and expenditures.

Using PACE claims data for 1998 (the latest claims data available), we developed a list of the 50 top-selling prescription drugs used by older Americans and ranked them by number of prescriptions issued.[3] Price histories for the 50 top-selling drugs in the PACE program were obtained from Price-Chek PC, a database published by Medispan/First DataBank. The price indicator used in this report is the average wholesale price (AWP), the price that drug manufacturers suggest that drug wholesalers charge pharmacies.

It is sometimes suggested that the AWP is not an accurate measure of drug prices paid by consumers because so many of those consumers enjoy discounts that have been negotiated by managed care organizations or other bulk purchasers of pharmaceuticals. Most older Americans, however, cannot negotiate such discounts. In fact, because most older Americans must pay retail prices at pharmacies, they pay *more* than the AWP, not less.

Another commonly used measure of drug prices is the wholesale acquisition cost (WAC), the price that wholesalers pay manufacturers. Although data given in this report were calculated using the AWP, calculations using the WAC showed similar trends.

This report uses weighted averages in calculating annual price increases for the entire list of top-selling drugs. That is, before averaging, the price of each drug is multiplied by a factor that represents the drug's percentage of total sales of all drugs on the list. This adjustment is made to ensure that the price trends reported accurately reflect the cost of drugs older people use most often.

DISCUSSION

The Impact of High Drug Prices on Older Americans

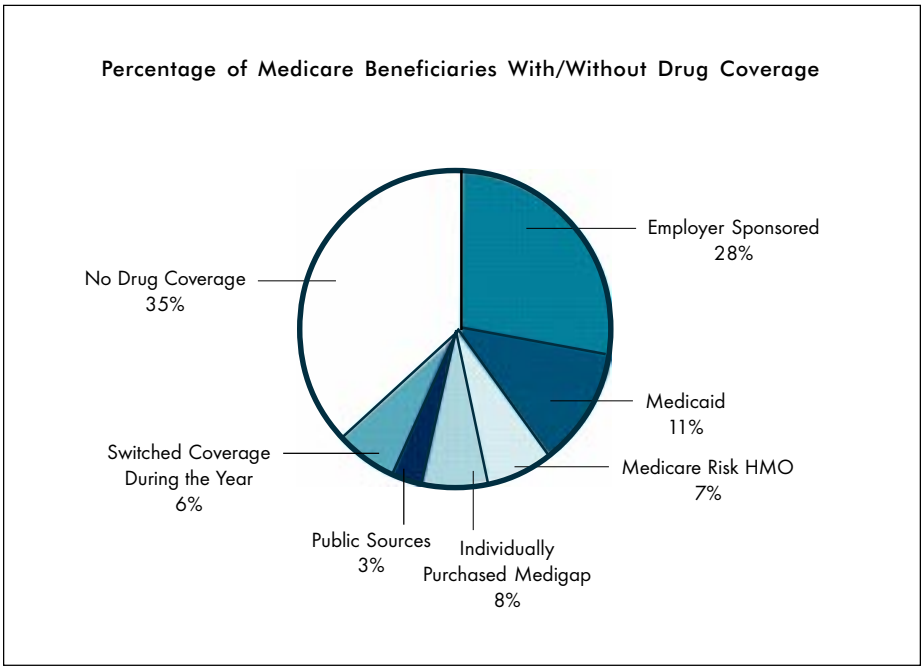
The impact of rising drug prices is especially hard on the nation's elderly, most of whom live on fixed incomes. Nearly half of Medicare beneficiaries live on less than $15,000 a year, and a third live on less than $10,000.[4]

Older Americans have a greater need for prescription drugs than other age groups, because they are more likely to suffer from chronic disease that requires drug therapy. Americans over age 65 have dramatically higher rates of arthritis, hypertension, heart disease, diabetes and cerebrovascular disease than Americans under age 45. For example, only 3 percent of those under age 45 have heart conditions, whereas 30 percent of those over age 65 do. About 3 percent of those under age 45 suffer from arthritis, whereas nearly half of those over age 65 have the disease.[5] As a result, approximately 86 percent of Medicare beneficiaries use at least one prescription drug a day, and the average beneficiary uses about 18.5 prescription drugs in a given year.[6] Although Medicare beneficiaries make up about 12.4 percent of the population, they account for a third of all drug expenditures.[7]

Because Medicare does not cover outpatient prescription drugs, many beneficiaries look elsewhere for drug coverage. (See Figure 1.) About 28 percent of Medicare's beneficiaries receive some drug coverage through employer-sponsored retiree plans; about 11 percent, through Medicaid; about 8 percent, from individually purchased Medigap insurance; about 7 percent, from Medicare HMOs; and about 3 percent, from public sources such as the Veterans Administration or state pharmaceutical programs for the low-income elderly. Another 6 percent of beneficiaries switch supplemental plans during the year and get drug coverage from one or more of the above sources.[8]

About 35 percent of Medicare beneficiaries—14 million people—have absolutely no coverage for prescription drugs. Although they are not poor enough to qualify for drug coverage through Medicaid or state pharmaceutical assistance programs, these beneficiaries generally have low incomes. Nearly half have incomes below 200 percent of the federal poverty level ($16,480 a year for individuals and $22,120 for couples in 1999).[9]

Figure 1



Data from M. Davis et al., "Prescription Drug Coverage, Utilization, and Spending among Medicare Beneficiaries," *Health Affairs* 18 no. 1 (January/February 1999): 231-43, and the 1995 Medicare Current Beneficiary Survey.

Percentages do not add up to 100 due to rounding.

While about 65 percent of beneficiaries have access to some drug coverage during the year, much of it is inadequate, with high copayments, low caps on overall drug coverage, and restrictions on the drugs that can be prescribed.[10] For example, only three of the 10 standardized Medigap policies sold offer prescription drug coverage. Two of these policies require a $250 annual deductible, charge a 50 percent copayment for each drug, and have a maximum annual benefit of $1,250. The third, which has a much higher premium, has the same high deductible and copayment and has a $3,000 cap.

Other sources of beneficiary prescription coverage are also quickly becoming inadequate. Next year, the value of drug benefits in Medicare HMOs will decline.[11] On average, copayments for brand-name drugs will increase by 21 percent, and copayments for generic drugs will increase by 8 percent. Although this year more

than one million beneficiaries are in HMO plans that do not require copayments, next year all beneficiaries in HMOs will face copayments for both brand-name and generic drugs. In addition, dollar caps on prescription drug benefits will also become more restrictive next year: Nearly a third of plans will have annual benefit caps of $500, compared to just 21 percent of plans this year.[12]

Employer-based retiree coverage, which has historically provided some of the most generous drug coverage to the elderly, is also declining. Over the past five years, the percentage of large employers (those with more than 500 employees) offering retiree coverage dropped by 25 percent, from 40 percent in 1993 to 30 percent in 1998, according to a national survey of 4,000 large employers.[13]

Pharmaceutical Profits

Another obstacle to pharmaceutical therapies for older Americans is the pricing structure used by the pharmaceutical industry. The industry sells its products to large insurers and health maintenance organizations at significant discounts from the published wholesale price. This leaves most older Americans, who have lower incomes and a greater need for prescription drugs than other age groups, paying higher prices to compensate for the discounts to the bulk purchasers. Most of these discounts go to HMOs, insurers, and pharmaceutical benefit management firms that serve younger, employed people, who have higher incomes. One study found that retail purchasers such as the elderly pay twice as much as drug companies' most favored customers.[14]

The result of limited coverage and high pricing is that older Americans pay higher out-of-pocket costs for prescription drugs than other age groups. Medicare beneficiaries pay about 51 percent of their drug expenses out of pocket, compared to 34 percent for the U.S. population.[15]

In 1998, the 24 pharmaceutical companies that produced the 50 top-selling prescription drugs purchased by older Americans made a median net profit of 20.0 percent. (See Table 4.) This is 4.5 times the 4.4 percent median profit for all Fortune 500 companies. The top profit earners in 1998 were Pfizer, 23.0 percent; Lilly, 22.7 percent; Schering, 21.4 percent; Astra, 20.6 percent; and Merck, 20.0 percent. The 1998 profit for Glaxo Wellcome, maker of the top-selling drug

Lanoxin, was not available, but in 1997 it was 23.2 percent. (See notes to tables on page 16.)

Of the 50 top-selling drugs purchased by the elderly, Merck makes 8; Pfizer makes 5; Schering, Knoll, and Mylan each make 3; and Glaxo Wellcome, Astra, Bristol-Myers Squibb, Hoechst Marion Roussel (HMR), DuPont, and SmithKline Beecham (SKB) each make 2.

Over five years, profit margins for Merck ranged from 19.5 percent to 20.0 percent; 15.7 percent to 23.0 percent for Pfizer; 17.4 percent to 21.4 percent for Schering; 2.8 percent to 6.0 percent for Knoll; 20.6 percent to 24.5 percent for Astra; 15.4 percent to 19.9 percent for Bristol-Myers Squibb; and 1.9 percent to 5.3 percent for HMR. Profit data for 1994-97 were available for Glaxo Wellcome and SKB, with a range of 21.8 percent to 33.1 percent for Glaxo and 13.1 percent to 17.3 percent for SKB. Profit data were not available for DuPont.

Pharmaceutical companies maintain that dramatic profit margins are necessary to cover the costs of research and development both for drugs that make it to market and those that fail. In 1998, the industry spent $17 billion on research and development. However, drug makers also spent another $8.3 billion—nearly half the amount they spent on research and development—on marketing and promotion. Of the $8.3 billion spent on marketing and promotion, $1.3 billion was used for direct-to-consumer advertising (such as magazine advertisements and television commercials promoting specific drugs), which has grown dramatically since 1997, when the Food and Drug Administration relaxed advertising restrictions. While research and development spending is expected to increase by 17 percent in 1999, direct-to-consumer advertising is projected to increase by more than three times that amount. Spending has also increased on traditional promotional activity, which is aimed directly at health professionals. For example, drug companies increased the amount spent on "detailing"—visiting doctors directly to promote specific drugs—by 15 percent in 1997.[16]

By increasing promotional spending, pharmaceutical companies have successfully stoked demand for expensive new drugs. The drugs they have promoted most heavily are new drugs for which they charge much more than for older drugs. Drugs introduced since 1992 accounted for two-thirds of the nation's total increase in drug expenditures from 1993 to 1998.[17]

CONCLUSION

The prices of the prescription drugs used by older Americans continue to rise faster than the rate of inflation. Over the past calendar year, prices for the 50 top-selling drugs among the elderly rose more than four times faster than the rate of inflation. Over the past five years, the most widely prescribed drugs for seniors rose two times faster than inflation.

These price increases place a heavy burden on older Americans. The result of these escalating costs is that many seniors are at risk of being unable to obtain the prescription drugs they need to maintain their health. Unless prescription drug costs are contained or seniors gain access to prescription drug coverage through Medicare, increasing numbers of seniors will find prescription drugs to be unaffordable.

ENDNOTES

[1] Families USA, *Worthless Promises: Drug Companies Keep Boosting Prices* (Washington, DC: Families USA, March 1995).

[2] In this report, the term "drugs" refers to drug products packaged and distributed by the manufacturer. Two items that have the same chemical make-up and bear the same name are listed as separate drugs (drug products) if they are made in different dose forms and/or packaged in different quantities.

[3] A second list of the 50 top-selling PACE drugs was developed using both expenditures and volume of claims. The blended list produced most, but not all, of the same drugs. Both lists, however, produce the same overall trends in drug price increases.

[4] The Lewin Group, *Current Knowledge of Third Party Outpatient Drug Coverage for Medicare Beneficiaries* (Fairfax, Virginia: The Lewin Group, November 6, 1998).

[5] Robin Strongin, *Providing Outpatient Prescription Drugs through Medicare: Can We Afford To? Can We Afford Not To?* (Washington, DC: George Washington University National Health Policy Forum background paper, March 1999). This estimate, derived from data generated by the Medicare Current Beneficiary Survey (MCBS), is probably low because respondents in the MCBS tend to underreport their use of prescription drugs.

[6] Margaret Davis, John Poisal, George Chulis, Carlos Zarabozo, and Barbara Cooper, "Prescription Drug Coverage, Utilization, and Spending among Medicare Beneficiaries," *Health Affairs* 18, no. 1 (January/February 1999): 231-43.

[7] Stephen Soumerai and Dennis Ross-Degnan,"Inadequate Prescription-Drug Coverage for Medicare Enrollees—A Call to Action," *New England Journal of Medicine* 340, no. 9 (March 4, 1998): 722-28.

[8] Michael Gluck, *A Medicare Prescription Drug Benefit,* Medicare Brief, no. 1 (Washington, DC: National Academy of Social Insurance, April 1999); Davis et al., op cit.

[9] David Gross and Normandy Brangan, *Medicare Beneficiaries and Prescription Drug Coverage: Gaps and Barriers* (Washington, DC: American Association of Retired Persons Public Policy Institute, June 1999).

[10] Ibid.

[11] Health Care Financing Administration, *Medicare+Choice: Changes for the Year 2000; An Analysis of the Medicare+Choice Program and How Beneficiaries Will Be Affected by Changes* (Washington, DC: Health Care Financing Administration, September 1999).

[12] Ibid.

[13] William M. Mercer, *National Survey of Employer-Sponsored Health Plans: 1998* (New York, NY: William M. Mercer Companies, March 1999).

[14] United States House of Representatives, *Prescription Drug Pricing in the United States: Drug Companies Profit at the Expense of Older Americans,* Committee on Government Reform and Oversight, Minority Staff Report (Washington, DC: U.S. House of Representatives, October 1998).

[15] Davis et al., op cit.

[16] National Institute for Health Care Management, *Factors Affecting the Growth of Prescription Drug Expenditures* (Washington, DC: National Institute for Health Care Management, July 9, 1999).

[17] Ibid.

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