

Insurers fight drug marketing monster

By THERESA AGOVINO
AP Business Writer

NEW YORK — Pharmaceutical makers spend billions of dollars a year to advertise their name brands, and to counter that clout, some health insurers are more aggressively trying to switch patients to cheaper medicines.

Insurers are writing letters to consumers and doctors, asking them to reconsider their prescription choices and call their attention to cheaper alternatives. They also are planning to substantially increase the co-payment for new drugs and medicines for which effective alternatives exist at lower cost.

Prescription drug costs rose 16.3 percent last year and are expected to grow nearly 20 percent this year and in 2002, according to Segal Co., a New York-based employee benefits consulting firm.

Pharmacy costs are climbing for many reasons, among them a huge variety of new treatments and an aging population that uses more drugs. But health insurers also point to the expensive marketing campaigns that pharmaceutical companies use to tout their drugs.

Health insurers say marketing creates a demand for drugs that have less expensive equivalents. The problem, health executives say, is that most doctors and

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consumers with employer-provided insurance don't realize the real cost of drugs. Many employers offer health plans where consumers pay only a small portion of the price.

"We can't continue to protect consumers from the costs," said William Fleming, vice president of Humana Inc., a Louisville, Ky.-based insurer. "We have to give them information so they can be engaged in the process and have power to choose."

Fleming said that's not easy because pharmaceutical companies spend huge amounts annually on marketing.

Last year, the pharmaceutical companies spent \$15.7 billion on marketing, a 13 percent increase over 1999, according to IMS Health, a market research firm. Of that amount, direct-to-consumer advertising — via television, radio and print — totaled \$2.5 billion, up 33 percent.

Humana is sending letters to patients who are taking drugs for which cheaper options exist. The letters point out alternative medications and suggest the patient discuss the other options with a doctor.

"We are taking a page from the pharmaceutical playbook," said Fleming, whose company provides benefits for 6.5 million people. "If they can talk directly to consumers, why can't we?"

Some 48,000 patients have received a letter since the program started in May, Fleming said, and about 10 percent of them have switched to a cheaper alternative.

Numerous letters went to patients taking Prilosec, an antacid and ulcer treatment made by AstraZeneca PLC.

Prilosec is no longer being advertised because AstraZeneca is pushing the next generation of drug. But in 2000, its direct-to-consumer advertising budget was \$107 million, fifth highest of any single drug. It is the world's best-selling drug, but some believe over-the-counter drugs or other medicines can work just as well for many patients.

Humana is still trying to discourage unnecessary use of Prilosec by having its members make a \$45 monthly co-payment — the most expensive option in most of its prescription drug plans. Still, it was popular

among Humana members and Fleming wonders if that can be traced to brand loyalty created by advertising.

AstraZeneca spokeswoman Rachel Bloom said she wasn't aware of the Humana program, and maintained Prilosec is popular because it is safe and effective.

Pharmaceutical executives and some health insurance managers criticize Humana's approach, saying it interferes with the patient-doctor relationship.

Richmond, Va.-based Trigon Healthcare adopted a program with a similar goal earlier this year, although its letters are sent directly to 2,500 doctors with the highest volume of prescriptions.

"We didn't want to circumvent the relationship with a physician," said Ron Lyon, Trigon's vice president of pharmacy. "We want to be an educational source for physicians. They don't get a balanced view from the pharmaceutical companies."

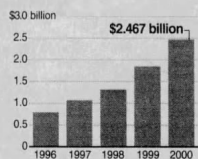
Drug makers say their marketing effort is also educational.

"Pharmaceutical companies are one of the best sources of information about new drugs and treatments," said Jackie Cottrell, spokeswoman for the Pharmaceutical Research and Manufacturers of America.

Pharmaceutical companies regularly give sizable discounts to health plans. Those drugs wind up on a preferred list

More drug ads target consumers

Pharmaceutical companies increased the amount of money spent on direct-to-consumer advertising — via television, radio and print — to \$2.5 billion dollars in 2000.



SOURCE: IMS Health

AP

known as a formulary.

Typically, health plans offer clients three price options when buying drugs. The first is a generic where the co-payment is small. The second is a preferred brand where the co-payment is slightly higher, and lastly, brands not on the formulary where the co-payment is highest.

Humana is in the midst of introducing a new payment structure with a fourth tier with an even higher co-payment — 25 percent of what the insurer pays.

Drugs in this category would include new medicines and older

brands with better alternatives. Fewer than 2 percent of drugs would be in the fourth tier, so Fleming isn't sure if the program will ultimately save money for Humana. Yet, he views it as a step toward teaching patients the true price of drugs.

Cost is only one consideration in determining a drug's placement on the formulary. Realizing that some expensive drugs can keep patients out of the hospital, health plans have placed some brand names in the cheapest category, while older generics might cost more than before.

Wellpoint Health Network is retooling its formulary, but price will be the main consideration.

Robert Seidman, Wellpoint's chief pharmacy officer, says his company plans to have companies bid for contracts to provide them. He also plans to drastically increase the amount a patient pays for choosing a nonformulary drug to drive patients to choose the cheapest medicine.

The plan won't be introduced until next year, so Seidman says it is too early to say what kind of payments Wellpoint might impose, but he said it could be as high as 50 percent of the cost. He doesn't worry the new radical approach will cause Wellpoint clients to defect because in focus groups the concept has garnered a positive response.