



# Balance



Managing the  
Rising Costs of  
Prescription Drugs



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*M*ore Americans are relying on new, cutting-edge drugs today. Health plans, providers and patients face the same dilemma: How do we balance the demand for new prescription drugs with the need to manage their rising costs?



# Balance



The cost of prescription drugs is one of the fastest-growing segments of the U.S. healthcare system. We are using more medicines to manage and prevent conditions, and those drugs cost more than ever before.

*A key factor driving rising drug spending is the dramatic increase in the average number of prescriptions filled per person per year, which rose from 7.3 in 1992 to 11.6 in 2002.<sup>1</sup> There are several reasons for this increase:*

**Aging of the population.** As people age, they tend to need more drugs to treat chronic conditions.

The average American older than age 65 fills about 20 prescriptions a year. A person in his or her 20s fills roughly three.<sup>2</sup>

**Use of long-term drug therapies.** Because many new drugs can prevent a serious illness, more people are taking them for a longer time. This is especially true in care for chronic illnesses associated with aging, such as high blood pressure or high cholesterol. For these conditions, patients must keep taking their drugs indefinitely to prevent symptoms from coming back.

**Changing guidelines for disease diagnosis and treatment.** Changes in medical guidelines often lead to increased use of prescription drugs. This may mean more patients need those drugs. For instance, the American

Diabetes Association recently lowered the blood glucose level thresholds for diabetes. That increased by millions the number of people who meet the guidelines for treatment.

**Introduction of new drugs.** In some cases, new drugs are breakthrough therapies for previously untreatable conditions. In other cases, new drugs offer greater potency, more convenient dosing or fewer side effects than their predecessors. As a result, people may begin taking these drugs for conditions that previously were left untreated.

**Increasing third-party coverage.** Prescription drug coverage gives many Americans improved access to medicines. Over the past four decades, public funds and private health insurance plans have paid for an increasing percentage of prescription drug costs.

**Direct-to-consumer advertising.** The ability of direct-to-consumer (DTC) advertising to increase consumer demand for drugs has been well documented. To connect with consumers, drug makers pump a lot of money into advertising. They use a variety of media to reach consumers, with television getting the largest share of DTC promotional spending.

## What We're Doing to Help Control Drug Costs

### Pharmacy Benefits Management

We partner with a Pharmacy Benefits Manager to provide prescription drug benefits that save our members money with some of the most competitive discounts in the industry. Our national network includes more than 58,000 pharmacy locations in all 50 states.

### Preferred Drug List

We maintain a Preferred Drug List (PDL), a list of prescription drugs selected for their cost effectiveness, clinical performance and quality. The PDL is regularly reviewed and updated based on current medical research on drug therapy and effectiveness. You save when you use a generic or preferred brand drug from our PDL. Within each therapeutic class, there is always a generic or preferred-brand drug.

### My Pharmacy Manager<sup>SM</sup>

You have access to a free Internet resource on our Web site that can help manage your drug costs. You can use My Pharmacy Manager to compare drug prices, find generic alternatives to discuss with your doctor and look up specific drug information. You also can find a network pharmacy near you, review the PDL and view your prescription drug history.

## What You Can Do to Manage Your Drug Costs

Use generics! Ask your doctor or pharmacist about FDA-approved, high-quality generic drugs when you get a prescription. Generic drugs are as effective as brand-name drugs, and they cost less. The difference is in the name. The brand name is the name under which the product is sold and is protected by a patent for up to 20 years. When the patent expires, other manufacturers can produce the generic version of the brand and sell it under its generic name. Because several different manufacturers may produce generic versions of the same drug, competition

can drive prices down. On average, a generic drug costs 50% less than the equivalent brand-name drug. This could mean less out-of-pocket money for you.

Another way to reduce costs is to ask your doctor if there is an over-the-counter drug to treat your condition. They are generally much less expensive than prescription drugs.

Other steps you can take include simply taking care of yourself — eat a balanced diet, exercise and know your numbers (cholesterol, blood pressure and blood sugar). Knowing these numbers can alert you to a potential problem before it leads to heart disease, stroke or other serious illnesses.



<sup>1</sup> IMS Health  
<sup>2</sup> AdvancePCS