The Cost Effectiveness of Direct to Consumer Advertising for Prescription Drugs

Adam Atherly and Paul H. Rubin
Emory University
Promotion

- 55% samples
- 29% detailing
- 14% DTC (beginning about 1997) with FDA policy change
Increasing

- 1997, $1.1 billion
- 2000, $2.5 billion
- 2005, $4.3 billion

- Controversial
Criticisms

• Consumers cannot evaluate benefits, costs
• More expensive drugs advertised
• Patients can pressure physicians
• Harms doctor-patient relationship
• Ads unbalanced
• If patients needlessly visit doctors, waste of resources
Defenses

• Education, better informed
• May learn about medicines to treat existing conditions
• May learn that condition is disease, treatable
• May learn of drugs that health plan not promote
Most Heavily Advertised Conditions and Prescription Drugs (2002)

Acid Reflux: Prilosec, 4.8%
Allergy: Flonase, Allegra, Zyrtec, Claritan, 13.4%
Asthma: Flovent, Singulair, 5.4%
Arthritis: Vioxx, Celebrex, 10.6%
Depression: Paxil, 4.1%
Cholesterol: Zocor, Pravachol, Lipitor, 8.6%
Impotence: Viagra, 4.0%
Obesity, Meridia, 2.9%
This paper

• Examine cost effectiveness, based on existing literature (wide search)
• Impact DTC on consumers
• Prescribing behavior of physicians
• Impact of DTC on cost
Cost effectives

• QALY
• $50,000 very cost effective
• $100,000 cost effective
• Drugs themselves generally cost effective
Effects of Advertising (3 issues)

• Cost of advertising; no effect if price of drug not change; BUT
• 1. If prices change, but search costs fall, tradeoff, or If consumers switch to more expensive but no better drug, then reduction in benefit
• 2. If patients seek unneeded drugs, no benefit (moral hazard)
• 3. Patients due to ads may be different
Prices

• DTC increases spending on drugs. Why?
  • 1. Higher prices
  • 2. increased utilization
  • 3. substitute to more expensive drugs
GAO 2002 study

• Mostly increased utilization, not prices
• For most heavily advertised drugs, prices rose by 6%; utilization by 25%
• Unadvertised drugs, prices 9%, utilization 4%
• Others similar results
• DTC mostly expands market size, not market share (physician as agent)
Elasticity

• 10% increase in DTC spending, 1% increase in prescription drug spending
• $1.00 increase in DTC, $4.20 increase in spending
Attitudes

• 47% of consumers “good or very good”
• 75% consumers think DTC increases awareness; 58% think enough information to make decision to discuss with doctor
• 41% doctors think benefits; 18% problems
• 73% think DTC educates and informs patients
Behavior

- Only 4% of patients schedule visit to ask about drug; mostly, ask during scheduled visit
- 14% of patients discussed a concern because of DTC
- 6% expected to receive a drug because of DTC
- If patients ask for drug, 39% get it; 22% get different drug; 18%, nothing
- 5.5% of physicians prescribed DTC drug but thought another drug better
- **88% requesting drug had relevant condition**
- 75% who got drug felt better
Quality of care

• For depression, 76% asking for drug got it
• Only 31% depressed patients not asking got drug
Selection, Compliance

- Lack of compliance is a problem; little evidence on whether DTC helps compliance
- Also, little evidence on selection: are DTC patients less needy of drug than others
- Both: further research needed
Overall:

- New drugs generally cost effective in studied populations
- DTC increases expenditure (else why do it?)
- Could be cost-ineffective; but
- Most do not schedule visit in response to ad
- Most who ask have condition
- Most physicians believe prescribed drug is correct