

# 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 effectiveness

- 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

