



# In the Literature

Highlights from Commonwealth Fund-Supported Studies in Professional Journals

## Higher U.S. Branded Drug Prices and Spending Compared to Other Countries May Stem Partly from Quick Uptake of New Drugs

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**Authors:** Panos Kanavos, M.Sc., Ph.D., Alessandra Ferrario, M.Sc., Sotiris Vitoros, M.Phil, M.Sc., Ph.D., and Gerard F. Anderson, Ph.D.

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**Contact:** Panos Kanavos, Department of Social Policy, London School of Economics and Political Science, [p.g.kanavos@lse.ac.uk](mailto:p.g.kanavos@lse.ac.uk), or Mary Mahon, Assistant Vice President, Public Information, The Commonwealth Fund, [mm@cmwf.org](mailto:mm@cmwf.org)

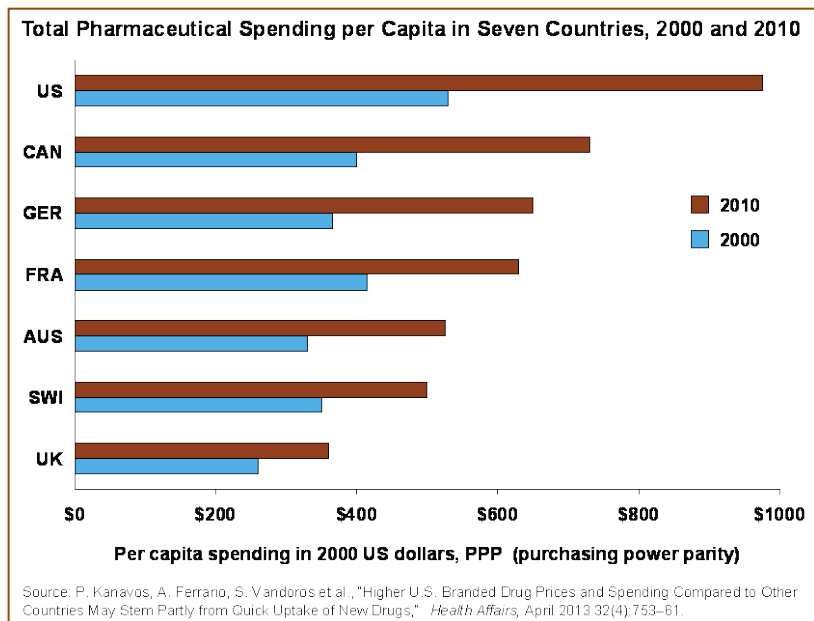
**Access to full article:** <http://content.healthaffairs.org/content/32/4/753.abstract>

### Synopsis

The United States spends much more per capita on prescription drugs than other developed nations do, and brand-name drug prices are considerably higher as well. Higher spending in the U.S. is driven primarily by faster uptake of new and expensive drugs. To control spending, U.S. policymakers could require strict evidence of the value of new drugs as part of price negotiations.

### The Issue

The U.S. spends substantially more per capita on prescription drugs than other members of the Organization for Economic Cooperation and Development (OECD). Commonwealth Fund-supported researchers examined variation in drug prices among selected OECD countries in three years (2005, 2007, and 2010) to determine which nations paid the highest prices for brand-name drugs, identify variations in per capita drug spending, and isolate the factors contributing to drug spending rate increases.



## Key Findings

- Over the past decade (2000–10), total prescription drug spending rose significantly in Canada (84%), the U.S. (81%), and Germany (79%). Other OECD countries had small rates of increase.
- Per capita drug spending on prescription drugs in 2010 was higher in the U.S. than in all other nations and was more than twice the level in the U.K., the lowest spender.
- Manufacturer prices for brand-name drugs were 5 percent to up to 198 percent higher in the U.S. than in the other countries in all three study years (except in 2005 in Switzerland and Germany). These differences may not fully reflect price discounts negotiated by U.S. payers.

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## Addressing the Problem

U.S. policymakers could consider requiring drug makers to provide more evidence about the value of new drugs relative to their cost, as other OECD nations do. Evidence of cost-effectiveness could be one of the criteria used in price negotiations or in determining which patients are likely to benefit from individual drug therapies. Other approaches, such as price-volume agreements (in which payers negotiate a discount for purchasing a set volume of drugs) and price modulation (which allows manufacturers to raise prices for some drugs—often the newer products—while lowering prices for others) could be used to control spending while encouraging uptake of innovative new therapies.

**“The use of explicit priority-setting methods—such as health technology assessments based on clinical cost-effectiveness—at the time coverage decisions are made goes some way toward explaining the observed differences in prices, uses, and early adoption of drugs.”**

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## About the Study

The study examined prices and spending for brand-name drugs in Australia, Canada, France, Germany, Switzerland, the United Kingdom, and the United States in 2005, 2007, and 2010, using the Intercontinental Medical Statistics Midas database. It focused on brand-name drugs that had the highest combined sales in 2010 and were available in all of the study countries—37 products in all. In addition to this core sample, the researchers examined prices and spending for seven new products in 2007 and eight new products in 2010, which enabled analysis of the effect of new product introduction and uptake. One limitation of this analysis is that it may not take fully into account negotiated price discounts in the U.S.

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## The Bottom Line

Faster uptake of new and more expensive prescription drugs in the United States, relative to the other OECD nations, contributes to higher per capita drug spending.

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## Citation

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