

July 16, 1999

ADDENDUM TO
Factors Affecting the Growth of Prescription Drug Expenditures

Recently, the Health Care Financing Administration (HCFA) issued updated projections of health spending for 1998 through 2008.

HCFA's newly released projections now permit us to use the same 5-year period for several broad national trend comparisons as we used for the majority of our analysis, which was based on Scott-Levin Source Prescription Audit data for 1993 and 1998. (Note that the new HCFA figures are still projections based on final 1997 figures, and not final estimates for actual 1998 spending, which will not be released until late in 1999.)

The new HCFA projections confirm the trends we originally reported, although of course the precise figures are slightly different. Specifically:

- ◆ Spending on prescription drugs continues to grow more than twice as fast as total national health spending. For 1993-98, the average annual growth rates are 12.2 percent for prescription drugs and 5.1 percent for total national health expenditures. (Updates pp. i and 1 of NIHCM Foundation's July 9, 1999, report.)
- ◆ Prescription drugs' share of total national health expenditures grew from 5.6 percent in 1993 to 7.8 percent in 1998. (Updates p. 1)
- ◆ Drug spending by private third parties — health plans and employers — grew 130 percent, from \$20.1 billion to \$46.3 billion, between 1993 and 1998, while total benefit payments grew only 26 percent. (Updates pp. vi and 2)
- ◆ Prescription drugs alone accounted for 37.6 percent of the entire growth in benefit outlays by private third parties between 1993 and 1998. As a percentage of private third-party benefit payments, prescription drugs rose from 7.6 percent in 1993 to 13.8 percent in 1998. (Updates p. 3)
- ◆ Between 1993 and 1998, consumer out-of-pocket spending grew 17 percent, from \$21.2 billion to \$24.8 billion. Therefore, consumers' share of total private (non-government) spending on prescription drugs decreased from 51 percent in 1993 to 35 percent in 1998. (Updates pp. vi and 2)
- ◆ Two-thirds (66.5 percent) of the total 1993-98 increase in drug spending was borne by private third-party payers. (Updates p. 27)