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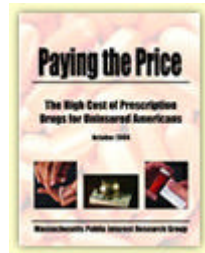
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## Health Care Reform

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### Paying the Price: The High Cost of Prescription Drugs for Uninsured Americans

October 2004

MASSPIRG

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### Executive Summary

Millions of uninsured and underinsured Americans struggle to afford the medicines they need, even forgoing medically necessary drugs when prices are out of reach. When discussing the high cost of prescription drugs, politicians often focus on the financial burden carried by senior citizens. Unfortunately, high prescription drug prices are a problem for Americans of all ages, not just the elderly.

As prescription drug prices have increased, so has the number of uninsured and underinsured Americans. In 2003, 45 million Americans under the age of 65 did not have health insurance; millions more with health insurance lacked prescription drug coverage. Young adults (ages 19 to 34) accounted for 40 percent of the non-elderly, uninsured population in 2003. Meanwhile, the pharmaceutical industry continues to record enormous profits, often by blocking consumer access to equally effective but less expensive medication.

Uninsured consumers carry the full cost of overpriced prescription drugs. The federal government uses its buying power to negotiate lower prices for the drugs it purchases for its beneficiaries—such as veterans, government employees and retirees. In addition, consumers with health insurance coverage pay only a portion of the discounted price negotiated by their insurance company. Uninsured consumers, with no one to negotiate on their behalf, pay the highest prescription drug prices not only in America, but in the rest of the industrialized world as well.

In late summer of 2004, the National Association of State Public Interest Research Groups (PIRGs) conducted a survey of more than 400 pharmacies in 19 states across the country and Washington, DC to determine how much uninsured consumers are paying for 12 prescription drugs commonly used by adults under age 65. We then compared these prices with the prices the pharmaceutical companies charge one of their “most favored” customers, the federal government, and also with the prices



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paid by consumers in Canada.

Our survey showed that the uninsured pay a huge price for prescription drugs, especially when compared with the prices paid by the federal government and our neighbors to the north. Key findings include:

**In Boston, Massachusetts:**

- On average, uninsured consumers in Boston pay 89 percent more than the federal government for 12 common prescription medications.

- Uninsured consumers in Boston pay 87 percent more for Zithromax than the federal government pays for the same prescription. Zithromax is an antibiotic commonly used to treat pneumonia and other infections.

- On average, uninsured consumers in Boston pay more than twice as much—117 percent more—for drugs purchased at their local pharmacy than they would pay if they purchased the same drugs from a Canadian pharmacy.

**Nationally:**

- Uninsured Americans pay 78 percent more on average for 12 common prescription drugs than the federal government pays for the same medications. The price differences range from 41 percent more for Ambien, a sleep aid, to 162 percent more for Synthroid, which treats thyroid disorders.

- Many of the drugs featured in the PIRG survey treat chronic conditions—meaning that even small savings add up quickly. An uninsured person regularly taking Allegra to control his/her allergies, for example, would pay at least \$1,120 for a year's supply. The federal government, on the other hand, would pay on average \$657 for the same quantity of Allegra – a savings of \$463.

- Uninsured Americans, on average, pay twice as much as Canadians—105 percent more—for nine of the common prescription medications we surveyed. The price differences range from 45 percent more for Norvasc, which treats high blood pressure, to 530 percent more for Premarin, a necessary hormone treatment for millions of women.

- An uninsured woman regularly taking Premarin would pay at least \$465 for a year's supply in the United States. A woman purchasing her year's supply of Premarin from a Canadian pharmacy would pay just \$74—a savings of \$391.

The need for state and federal action to lower drug prices has never been greater.

Although federal lawmakers are aware that Americans pay the highest prescription drug prices in the world, they have yet to take substantive action to address the problem. Frustrated by inaction at the federal level, states across the nation are taking on the task of providing their uninsured and underinsured citizens with access to affordable prescription drugs. The state PIRGs support a range of strategies to lower the cost of prescription drugs that include:

- Creating prescription drug-buying pools at the state level that would allow businesses, the government and individuals of all ages to use their combined buying power to negotiate lower drug prices, similar to what the

federal government and big HMOs do;

- Expanding the use of preferred drug lists (PDLs), which provide state governments with information about the most cost-effective treatment for a particular condition. State governments can use PDLs to make purchasing decisions that ensure patients get the most affordable and most effective treatment possible;

- Increasing scrutiny of pharmaceutical benefit managers, the pharmaceutical “middlemen” who manage the prescription drug care for millions of Americans under a veil of secrecy and often act against their clients’ best interests;

- Regulating the marketing practices of pharmaceutical companies that drive up the prices of prescription drugs and encourage patients and doctors to favor the newest and most expensive drugs regardless of their effectiveness; and

- Providing consumers with immediate price relief by legalizing the importation of lower-priced prescription drugs from Canada and other countries with drug regulatory systems similar to ours as a stopgap measure until comprehensive reform passes.

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