News Release
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Direct-to-Consumer Prescription Drug Advertising Adds Significantly To Prescription Drug Spending Growth, New Study Finds

Menlo Park, CA – Pharmaceutical company spending on direct-to-consumer (DTC) advertising has increased significantly in recent years, more than tripling from $800 million in 1996 to $2.7 billion in 2001. A new study by researchers at the Harvard School of Public Health, Massachusetts Institute of Technology, and Harvard Medical School for the Kaiser Family Foundation finds that increases in advertising have a significant impact on drug spending growth. The authors estimated that in 2000, 12% of drug spending growth was related to increased spending on DTC advertising, with each additional dollar in DTC advertising yielding an additional $4.20 in drug sales in that year.

The study analyzed the impact of DTC advertising through magazines, newspapers, television, radio, and outdoor advertising on pharmaceutical spending and prescribing in five therapeutic drug classes. The classes were chosen based on prevalence of DTC advertising within the class and variation in advertising patterns and product lifecycles of drugs within the classes. The drugs within the selected classes treat a wide variety of ailments, are indicated for different populations, and are prescribed by a number of different clinical specialists.

The research found that each 10% increase in DTC advertising for drugs within a therapeutic drug class resulted in a 1% increase in sales of the drugs within that class. Applying this finding to changes in spending for the 25 drug classes with the highest retail sales during the year 2000, the study concludes that increases in DTC advertising accounted for 12% of prescription drug growth during that period, or about $2.6 billion.

"Some have suggested that DTC advertising is a primary reason for the significant pharmaceutical cost increases that we have seen in recent years. This study shows that DTC advertising is an important factor, but not the primary cause, of these increases," said Drew Altman, Ph.D., president and CEO of the Kaiser Family Foundation.

A surprising finding is that DTC advertising of a drug seems to work by increasing sales for the advertised drug and for its competitors alike. The study finds that DTC advertising of a drug in a class boosts sales for the class as a whole, but does not boost the market share of the advertised drug relative to its competitors.

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While DTC advertising accounted for only 14% of promotional activities by pharmaceutical companies for prescription drugs in 2001, spending for DTC advertising has increased significantly since 1996, at an average annual rate of 28%. By comparison, promotion directed at physicians accounted for 86% of overall promotional spending – 55 % for "sampling," or free drug samples that drug company representatives provide to office-based physicians; 29% for "detailing" or drug company representatives' activities directed toward physicians; and 2% for medical journal advertising.

"Our results indicate that the principal effect of DTC advertising is to expand the use of all brands in a therapeutic class rather than to switch existing patients from one brand to a competitor. From a public health perspective, the next question is how much this additional spending on prescription drugs increases the health of patients," concluded Harvard School of Public Health's Meredith Rosenthal, Ph.D., first coauthor of the study.

A new report, *Impact of Direct-to-Consumer Advertising on Prescription Drug Spending*, which features these study findings, is available on the Kaiser Family Foundation's website at http://www.kff.org/content/2003/6084.

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