

Generic Drugs: A Smart Way To Reduce Healthcare Costs

By Timothy P. Colligan, RPh

During this downturn economy, everyone is looking for ways to trim their budgets. With healthcare costs rising, many families look for ways to cut their healthcare expenses in particular. You may be tempted to save money by not filling your prescriptions, or cutting back on your dosage. Putting your health at risk is not the answer. Choosing generic drugs can be an effective cost saving measure and a smarter way to reduce out-of-pocket healthcare expenses.

In its annual survey of drug trends, Medco, the nation's largest pharmacy benefits manager, stated that prescription drug spending climbed 3.3 percent in 2008 over 2007, even though prices for brand-name products rose about 8 percent. Those higher prices were offset by sales of generic drugs, which accounted for 64 percent of all prescriptions filled by Medco in 2008, up from 60 percent the previous year.

Generic drugs represent a safe, effective, and affordable method to decrease overall healthcare costs. In fact, the Food and Drug Administration (FDA) states consumers who are able to replace all their brand name drugs with generics can save up to 52% on their daily drug costs.

Most pharmacies regularly ask customers if they would accept a generic alternative instead of a brand name drug. Health plans across the country have implemented programs that promote the safety and efficacy of generic drugs. But why do some people still resist using generics?

Many times the answer is fear that the generic will not perform at the same level as the brand name drug. However, the FDA requires generic drugs to have the same quality, strength, purity and stability as brand name drugs. In fact, both brand name and generic drug manufacturing facilities must meet the same FDA standards. Since generics use the same active ingredients and are shown to work the same way in the body, they have the same risks and benefits as their brand name counterparts.

How can generics afford to be so much less expensive? Generic drugs are less expensive because generic manufacturers don't have the investment costs of the developer of a new drug. New drugs are developed under patent protection. Brand name drugs are generally given patent protection for 20 years from the date of submission of the patent. This provides protection for the innovator who laid out the initial costs which includes research, development, and marketing expenses to develop the new drug. However, when the patent expires, other drug companies can introduce competitive generic versions, but only after they have been thoroughly tested by the manufacturer and approved by the FDA.

Each year, generics save consumers and the healthcare systems tens of billions of dollars. Nearly 69 percent of all prescriptions are filled with generic medicines with roughly 16 cents of every dollar spent on prescriptions being spent on generic medicines. Just this month, Generic Pharmaceutical Association (GPhA) released the results of an independent analysis commissioned from IMS Health, the leading healthcare market intelligence company, revealing that using generic pharmaceuticals saved the American healthcare system more than \$734 billion between 1999-2008, with approximately \$121 billion in savings in 2008 alone. Those savings are going into the pockets of people all across America.

The bottom line is that if you are struggling to pay for prescription medications, talk to your doctor or pharmacist for alternatives. Choosing generics is just one easy way to reduce your healthcare budget. For more information about generics, visit the FDA website at <http://www.fda.gov/cder/ogd/index.htm>.

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