

Prescription Drug Sales Rate Hits 47-year Low

Sales growth reaches the lowest level since 1961 as generics, lack of new products, Medicare and safety concerns take their toll.

By Kenneth Musante, CNNMoney.com staff writer March 13, 2008

NEW YORK (CNNMoney.com) -- The sales rate of prescription medications slowed by more than half in 2007 to levels not seen since the early 1960s, according to a report released Wednesday.

The report from IMS Health said the prescription market grew 3.8% in 2007 to \$286.5 billion, from a growth rate of 8% in the previous year.

"The U.S. pharmaceutical market experienced its lowest growth rate since 1961," said IMS Senior Vice President Murray Aitken in the report.

According to the report, sales slowed across the board from branded medications to generics, attributed to fewer new products, narrowing Medicare sales and rising safety concerns.

The total number of drugs prescribed grew 2.8% in 2007, led by antidepressants, down from 4.6% growth rate in 2006, according to IMS. The top five selling drug categories in 2007 were antidepressants, lipid regulators, combination pain medications, ace inhibitors and beta blockers.

The number of generic drugs sold rose 10%, partially offsetting \$17 billion in the sales of name-brand drugs that had lost exclusivity, said the report.

Brand-name drug makers can take a huge profit hit from generic competition. In February, drug maker Cephalon (CEPH) took heat from the Federal Trade Commission after it paid more than \$200 million to four generic drug makers to keep them from developing products that would compete with its profitable narcolepsy medication. And drug maker Pfizer (PFE, Fortune 500) has been scrambling for something to replace its blockbuster cholesterol drug Lipitor, which brings in \$12 billion plus sales each year, before low-cost generic drug makers can begin eating away sales in 2010.

A maturing Medicare drug program is also to blame for lower sales, said IMS. Prescriptions sold through Medicare accounted for 19% of total retail prescriptions, according to the report, and 65% of U.S. citizens over the age of 65 are enrolled.

"The moderating growth trend that began in 2001 resumed last year following the one-time impact on market growth in 2006 from the implementation of Medicare Part D," said

Aitken. Medicare Part D is the government program's prescription drug coverage benefit.

"We will see additional lower-cost treatment options for many patients, while new and innovative therapies are delivered to specific patient groups, such as those suffering with cancer. Safety issues will be closely monitored and are likely to bring added caution to the market over the next several years," he added.

IMS predicts \$13 billion worth of brand name drugs will begin to compete with low-cost generics in 2008. However, the introduction of several new drugs will help offset that loss. The organization projected annual pharmaceutical sales growth to be between 3% and 6% through 2010.