"Promoting Wellness or Waste? An Evaluation of Measurable Costs and Benefits of Direct-to-Consumer Advertising of Antidepressants"

Abstract

Direct-to-Consumer Advertising (DTCA) of prescription drugs is controversial and has ambiguous potential welfare effects. In this paper, I evaluate measurable costs and benefits of DTCA in the market for antidepressant drugs. In particular, using individual health insurance claims and human resources data, I estimate the effects of DTCA on outcomes relevant to societal costs: new prescriptions, prices and adherence. Additionally I estimate the effect of DTCA on labor supply, the economic outcome most associated with depression. First, category expansive effects of DTCA found in past literature are replicated, particularly causing new prescriptions of antidepressants. While there is a significant advertising effect on category prescriptions, I find evidence of no effect on either the prices or co-pays of the drugs prescribed. Next, lagged advertising is associated with higher first refill rates, indicating that the advertising marginal are not more likely to end treatment prematurely due to initial adverse effects. Despite first refill rates being higher for those that are likely advertising-marginal, concurrent advertising is associated with slightly lower refill rates overall, particularly among those individuals who stand to gain least from treatment. Finally, advertising significantly decreases missed days of work, with the effect concentrated on workers who tend to have more absences. Back-of-the-envelope calculations suggest that the wage benefits of the advertising marginal work days is more than an order of magnitude larger than the total cost of the advertising marginal prescriptions.

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