

TRENDS IN MANUFACTURER LIST PRICES OF GENERIC PRESCRIPTION DRUGS USED BY OLDER AMERICANS— FIRST QUARTER 2005 UPDATE

INTRODUCTION

This Data Digest describes changes in manufacturer list prices in the first quarter of 2005 for the 75 generic prescription drugs most widely used by Americans age 50 and older; these changes are measured on both an annual basis and a three-month basis. It is part of an ongoing series of studies monitoring changes in drug manufacturer list prices—that is, list prices that manufacturers set for drugs sold to wholesalers and other direct purchasers. Previous papers published by the AARP Public Policy Institute reported on trends in manufacturer list prices for 75 widely used generic drugs from calendar year 2001 through calendar year 2004.ⁱ

Presented below are two measures of change in manufacturer list prices for generic drugs. The first set of findings are *annual* rates of change in manufacturers' list prices using rolling average estimates for the 12 months ending in March 2005. The second set of findings are *three-month* percentage changes in list prices (i.e., changes from December 31, 2004 through March 31, 2005). Changes in list price are based on changes in the wholesale acquisition cost (WAC) as published in the Medi-Span Price-Chek PC database.ⁱⁱ WACs are the prices typically reported on invoices between the drug manufacturer and the drug wholesaler.

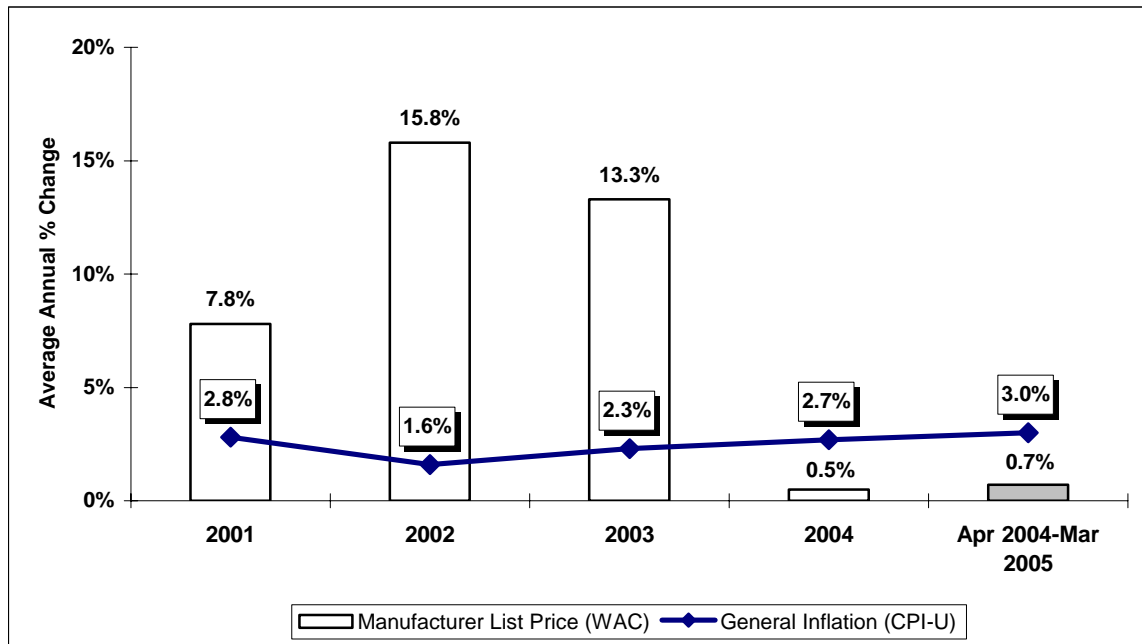
As an analysis of manufacturer price changes, this particular study is limited because of the lack of publicly available data that capture all of the discounts that generic drug manufacturers sometimes provide to wholesalers and other direct purchasers. These discounts can be quite substantial, in that manufacturer list prices, such as the WAC, may overstate increases in net transaction prices. As a result, the findings presented here represent an *upper bound* of net transaction price increases by generic drug manufacturers. Furthermore, it is difficult to know the extent to which retail price changes for generic drugs are attributable to changes in list prices set by the manufacturers of those drugs.

FINDINGS

Annual Trends in Manufacturer List Prices

- Manufacturer list prices for the sample of 75 generic drugs rose by 0.7 percent in the 12 months ending with the first quarter (March) of 2005, when measured as a 12-month rolling average and weighted by actual 2003 sales to Americans age 50 and over (Figure 1).

Figure 1: Average Annual Percentage Change in Manufacturer List Prices for Most Widely Used Generic Drugs, 2001 Through First Quarter 2005



Prices do not reflect discounts that manufacturers may provide to wholesalers and other direct purchasers. Prepared by the AARP Public Policy Institute and the *PRIME* Institute, University of Minnesota, based on data found in Medi-Span Price-Chek PC (Indianapolis, IN: Wolters Kluwer Health Inc., July 2005).

- The average annual rate of price increase for this more recent time period represents a slight increase compared to the 12 months ending in December 2004, but a substantial slowing compared to the rates of increase for 2001, 2002, and 2003. The average annual rate of general inflationⁱⁱⁱ rose from 2.7 percent for the 12 months ending in December 2004 to 3.0 percent for the 12 months ending with the first quarter of 2005.

Three-Month Trends in Manufacturer List Prices

- Only three of the 75 generic drugs in this study had an increase in manufacturer list price during the first quarter of 2005 (Table 1). The three drugs with price increases during the first quarter of 2005 accounted for 4.0 percent of the generic drugs in the study sample.
- None of the 75 generic drugs in the study had a decrease in manufacturer list price during the first quarter of 2005.

Table 1: Three-Month Percentage Change in Manufacturer List Prices for Generic Prescription Drug Products With Price Changes, First Quarter 2005

Rank by Sales Among Study Sample*	Product Name, Strength, and Dosage Form	Package Size	Manufacturer	Therapeutic Class	% Change in WAC, December 31, 2004-March 31, 2005
27	Levoxyl 100 mcg tab	100	Monarch Pharmaceuticals	Endocrine and Metabolic Drugs	6.0%
29	Levoxyl 50 mcg tab	100	Monarch Pharmaceuticals	Endocrine and Metabolic Drugs	6.0%
34	Levoxyl 75 mcg tab	100	Monarch Pharmaceuticals	Endocrine and Metabolic Drugs	6.0%

*Ranking based on dollar value of the top 75 generic drug prescriptions processed by the AARP Pharmacy Service during 2003 for which WACs are reported.

Prices do not reflect discounts that manufacturers may provide to wholesalers and other direct purchasers.

Prepared by the AARP Public Policy Institute and the *PRIME* Institute, University of Minnesota, based on data found in Medi-Span Price-Chek PC (Indianapolis, IN: Wolters Kluwer Health Inc., July 2005).

- Fewer generic drugs had increases in manufacturer list prices during the first quarter of 2005 than in the first quarters of the previous four years. Between four and ten generic drugs had increases in manufacturer list prices during the first quarter in each of the previous four years, representing between 5 and 23 percent of all generic drugs in the sample that were on the market (and for which WACs were listed) in each of those years (Table 2).^v

Table 2: Number and Proportion of Generic Prescription Drug Products With List Price Changes in First Quarter, 2001-2005

Year	Number of Generic Drugs With Manufacturer List Price Increases in First Quarter	Total Number of Sample Generic Drugs on Market* in First Quarter	% of All Sample Generic Drugs on Market* in First Quarter with Manufacturer List Price Increases
2001	10	43	23.3%
2002	5	66	7.6%
2003	6	74	8.1%
2004	4	75	5.3%
2005	3	75	4.0%

*Excludes drugs for which no WAC was listed.

Prices do not reflect discounts that manufacturers may provide to wholesalers and other direct purchasers.

Prepared by the AARP Public Policy Institute and the *PRIME* Institute, University of Minnesota, based on data found in Medi-Span Price-Chek PC (Indianapolis, IN: Wolters Kluwer Health Inc., July 2005).

ⁱ David J. Gross, Stephen W. Schondelmeyer, and Susan O. Raetzman, *Trends in Manufacturer Prices of Generic Prescription Drugs Used by Older Americans, 2001 Through 2003*, AARP Public Policy Institute Issue Paper #2004-12 (Washington, DC: AARP), October 2004; . *Trends in Manufacturer Prices of Generic Prescription Drugs Used by Older Americans, 2004 Year-End Update*, AARP Public Policy Institute Data Digest #DD113 (Washington, DC: AARP), April 2005.

ⁱⁱ Medi-Span is a private organization that collects price data directly from drug manufacturers and wholesalers.

ⁱⁱⁱ The general inflation rate reported is based on the average annual rate of change in the Consumer Price Index-All Urban Consumers for All Items (seasonally adjusted), Bureau of Labor Statistics series CUSR0000SA0.

^v Since not all of the generic drugs in the sample were on the market or had WACs reported in prior years, the number of drugs with price changes in years prior to 2003 represented a greater share of products than in 2003.

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