

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

Introduction

This Data Digest describes changes in manufacturer list prices in the third quarter of 2005 for the 75 generic prescription drugs most widely used by Americans age 50 and older. 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 the second quarter of 2005.¹

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 wholesale acquisition cost (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.

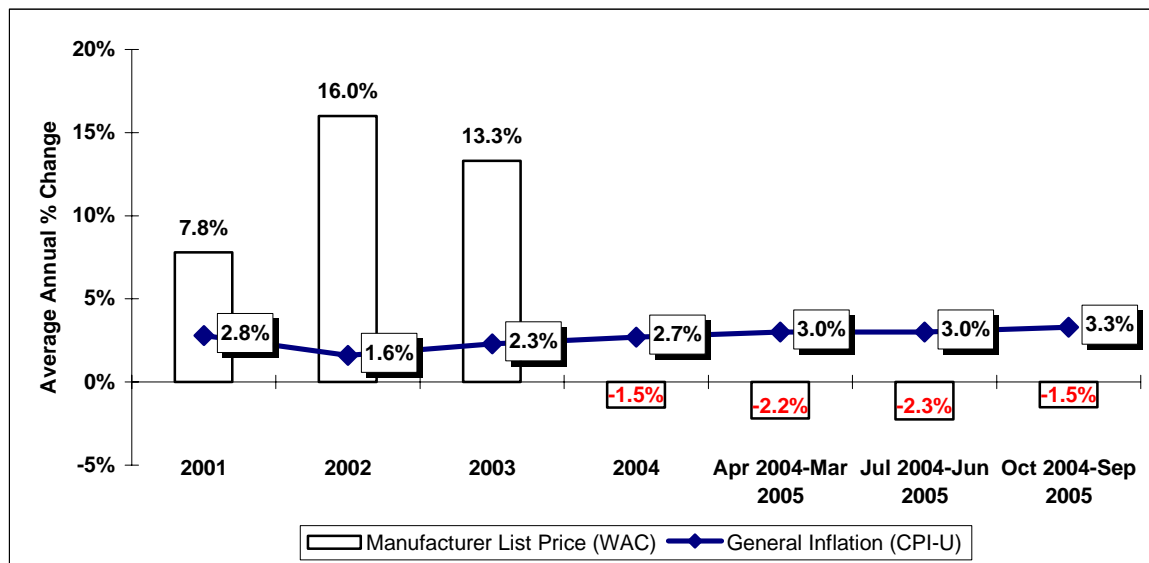
Findings

- None of the 75 generic drugs in this study had a change in manufacturer list price during the third quarter of 2005. Only three of the study drugs had increases in list price at any time from January to September in 2005, all during the first quarter of the year.
- In terms of annual trends, manufacturer list prices for the sample of 75 generic drugs fell by 1.5 percent in the 12 months ending with the third quarter (July 1 through September 30) of 2005, when measured as a 12-month rolling average and weighted by actual 2003 sales to Americans age 50 and older. This finding of falling *average* list prices is solely attributable to a substantial decrease in manufacturer list price for the generic drug in this study ranked second in sales—ciprofloxacin HCl 500 mg tablet (Barr Labs)—which fell 93.2 percent in June 2004.²

¹ 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; *Trends in Manufacturer List Prices of Generic Prescription Drugs Used by Older Americans, First Quarter 2005 Update*, AARP Public Policy Institute Data Digest #DD122 (Washington, DC, AARP), July 2005; *Trends in Manufacturer List Prices of Generic Prescription Drugs Used by Older Americans, Second Quarter 2005 Update*, AARP Public Policy Institute Data Digest #DD127 (Washington, DC, AARP), October 2005.

²The June 2004 decrease in the manufacturer list price of ciprofloxacin HCl was not captured in previous reports. However, the decrease has an impact on calculations of average change in price starting with the

Figure 1: Average Annual Percentage Change in Manufacturer List Prices for Most Widely Used Generic Drugs, 2001 Through Third Quarter 2005³



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., November 2005).

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analysis for the second quarter of 2004 and ending with the analysis for the second quarter of 2006. That is, the June 2004 price change for ciprofloxacin HCl will be reflected in any analysis, within our series of studies, of average changes in price where the annual time period studied includes June 2004 or where the time period 12 months prior to the study period includes June 2004. This two-year effect occurs because the rolling average methodology employed for the analysis is based on comparisons of prices in each month in the time period with prices 12 months earlier.

³ The reported annual percentage change in WAC for 2002 (16.0 percent) differs slightly from the figure reported in previous reports (15.8 percent). Previous analyses inadvertently omitted increases in WAC that occurred during 2002 for two generic drug products.