

## **TRENDS IN MANUFACTURER LIST PRICES OF GENERIC PRESCRIPTION DRUGS USED BY OLDER AMERICANS— 2005 YEAR-END UPDATE**

### **INTRODUCTION**

This Data Digest describes changes in manufacturer list prices in 2005 for the 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 third quarter of 2005.<sup>i</sup>

This report shows annual rates of change in manufacturer list prices for widely used generic drugs from 2001 through 2005 using rolling average estimates. It also lists individual generic drug products for which manufacturers' list prices changed during 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.<sup>ii</sup> WACs are the prices typically reported on invoices between the drug manufacturer and the drug wholesaler.

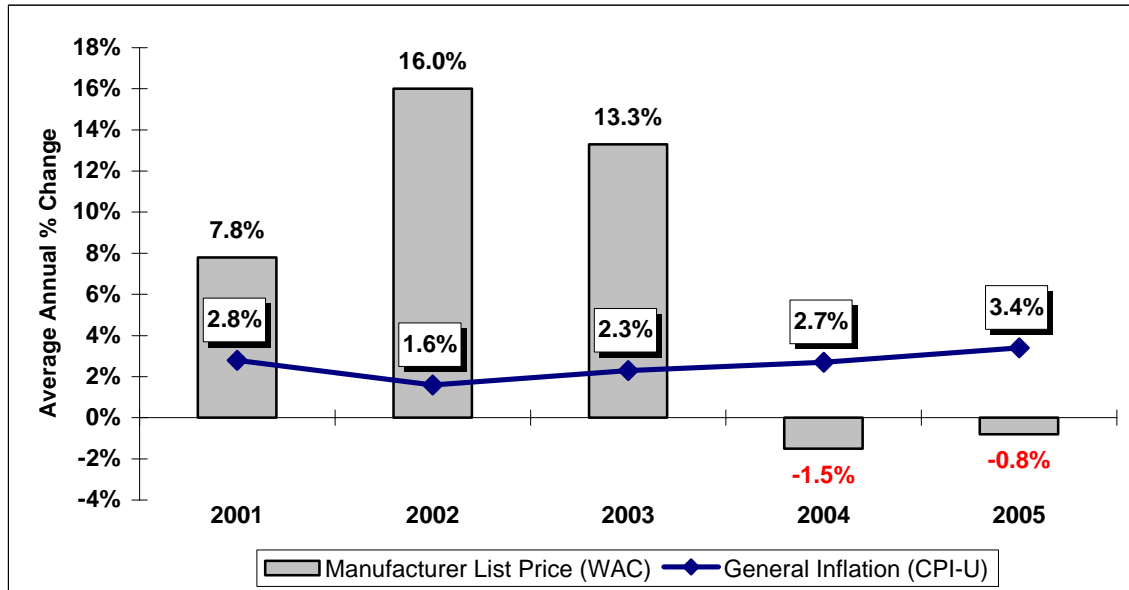
As an analysis of manufacturer price changes, this particular study is limited because of the lack of publicly available data that capture all the discounts that generic drug manufacturers sometimes provide to wholesalers and other direct purchasers. These discounts can be quite substantial, in that manufacturer list prices, such as WACs, 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 fell by 0.8 percent in 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 2005<sup>iii</sup>**



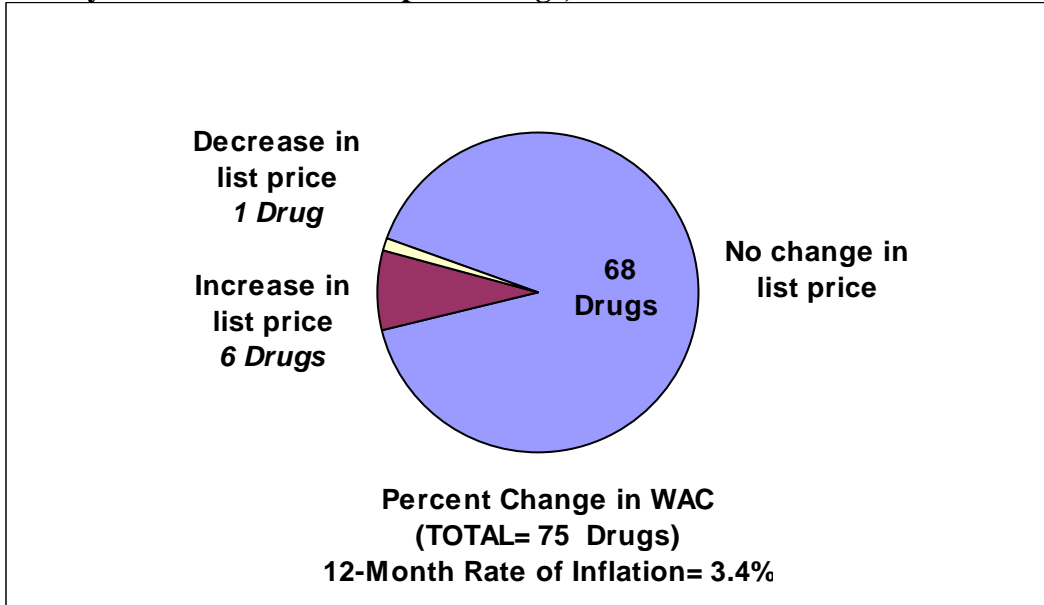
Prices do not reflect discounts that manufacturers may provide to wholesalers and other direct purchasers. Prepared by the AARP Public Policy Institute and the *PRIME* Institute, University of Minnesota, based on data found in Medi-Span Price-Chek PC (Indianapolis, IN: Wolters Kluwer Health Inc., February 2006).

- The rate of decrease in average annual change in manufacturer list prices for generic prescription drugs most widely used by older Americans was almost one-quarter the rate of increase in general inflation<sup>iv</sup> for 2005.

### **Changes in Manufacturer List Prices for Individual Drug Products in 2005**

Of the 75 generic drugs in this study, six (8 percent) had an increase in manufacturer list price in 2005, and one had a decrease in manufacturer list price (Figure 2).

**Figure 2: Distribution of Percentage Changes in Manufacturer List Prices for Most Widely Used Generic Prescription Drugs, 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., February 2006).

- Five of the six drugs with an increase in manufacturer list price in 2005 had increases that exceeded the rate of general inflation (3.4 percent). The highest increases were for Levoxyl 50, 75, and 100 mcg tablets, for which the list price increased 12.6 percent in 2005 (Table 1).
- Three of the six drug products with price increases in 2005—Levoxyl 50, 75, and 100 mcg tablets (Monarch Pharmaceuticals)—experienced two price increases in 2005.
- The manufacturer list price of ciprofloxacin 100 mg tablet (Barr Labs) decreased by 38.8% in 2005 when measured as a 12-month rolling average.

**Table 1: Percentage Change in Manufacturer List Prices for Generic Prescription Drug Products with Price Increases, 2005**

Rank by Sales among Study Sample*	Product Name, Strength, and Dosage Form	Package Size	Manufacturer	Therapeutic Class	% Change in WAC
5	timolol gel sol 0.5% (ophth)	5	Falcon Pharmaceuticals	Ophthalmic Solutions	0.5%
47	Klor-Con 10 tab 10 meq ER	500	Upsher-Smith	Potassium Supplements	4.0%
28	Klor-Con 10 tab 10 meq ER	100	Upsher-Smith	Potassium Supplements	4.3%
20	Levoxyl tab 50 mcg	100	Monarch Pharmaceuticals	Thyroid Hormones	12.6%
24	Levoxyl tab 75 mcg	100	Monarch Pharmaceuticals	Thyroid Hormones	12.6%
18	Levoxyl tab 100 mcg	100	Monarch Pharmaceuticals	Thyroid Hormones	12.6%
<b>General inflation rate (as measured by growth in CPI-U), 2005</b>					<b>3.4%</b>

\*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., February 2006).

<sup>i</sup> Previous reports in this series can be found on the AARP website at <http://www.aarp.org/research/health/carefinancing/aresearch-import-869-2004-06--IB69.html>.

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

<sup>iii</sup> The reported annual percentage change in WAC for 2002 (16.0 percent) differs slightly from the figure reported in previous year-end reports (15.8 percent). Previous analyses inadvertently omitted increases in WAC that occurred during 2002 for two generic drug products. In addition, a June 2004 decrease in the manufacturer list price of ciprofloxacin HCl was not captured in previous year-end reports. The decrease has an impact on calculations of average change in price starting with the analysis for the second quarter of 2004 and ending with the analysis for the second quarter of 2006. 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.

<sup>iv</sup> 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.

*David J. Gross, AARP Public Policy Institute, Leigh Gross, AARP Public Policy Institute, Stephen W. Schondelmeyer, PRIME Institute, University of Minnesota, and Susan O. Raetzman, AARP Public Policy Institute, April 2006.*

©2006, AARP. Reprinting with permission only.  
 AARP, 601 E Street, NW, Washington, DC 20049  
<http://www.aarp.org/ppi>