

TRENDS IN MANUFACTURER LIST PRICES OF GENERIC PRESCRIPTION DRUGS USED BY OLDER AMERICANS— FIRST QUARTER 2006 UPDATE

INTRODUCTION

This Data Digest describes changes in manufacturer list prices in the first quarter of 2006 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 these widely used generic drugs from calendar year 2001 through calendar year 2005.ⁱ

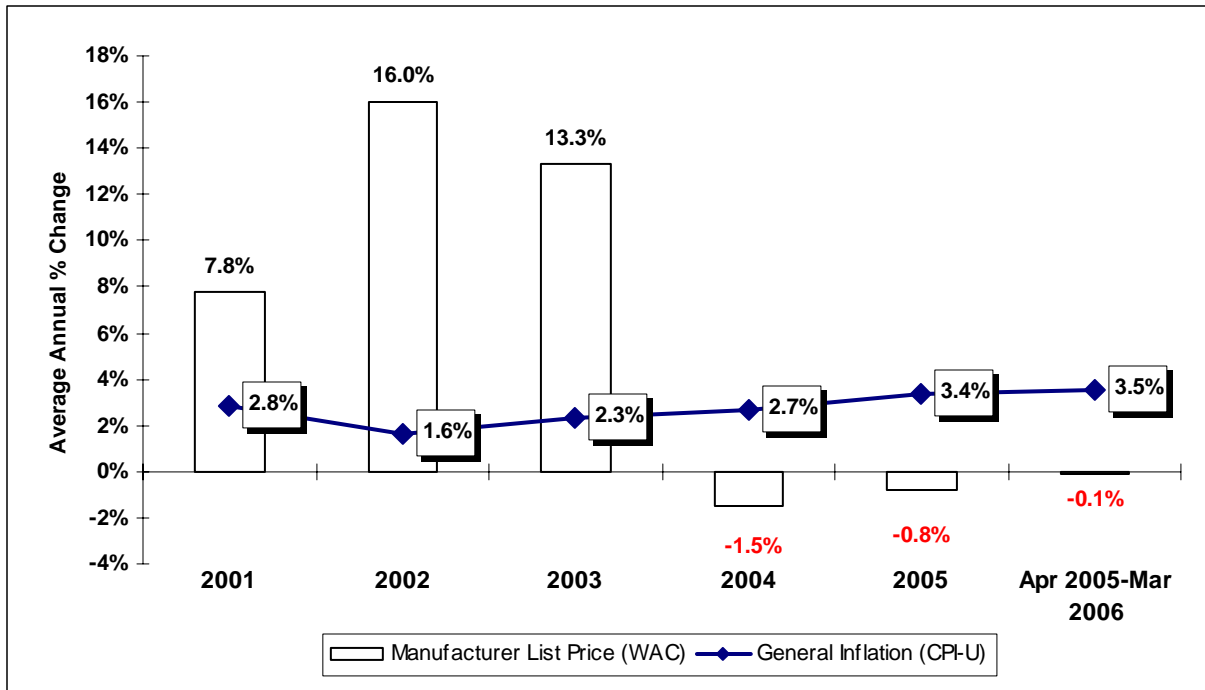
Presented below are two measures of change in manufacturer list prices for generic drugs. The first set of findings are *annual* rates of change in manufacturers' list prices using rolling average estimates for the 12 months ending in March 2006. The second set of findings are *three-month* percentage changes in list prices (i.e., changes from December 31, 2005 through March 31, 2006). 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

- Manufacturer list prices for the sample of 75 generic drugs fell by 0.1 percent in the 12 months ending with the first quarter (March) of 2006ⁱⁱⁱ, when measured as a 12-month rolling average and weighted by actual 2003 sales to Americans age 50 and over (Figure 1). The rate of general inflation was 3.5 percent during the same 12-month period.

Figure 1: Average Annual Percentage Change in Manufacturer List Prices for Most Widely Used Generic Drugs, 2001 Through First Quarter 2006



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., May 2006).

- None of the 75 generic drugs in this study had a change in manufacturer list price during the first 3 months of 2006.
- 2006 is the first year since 2000 when there were no manufacturer price increases during *the first quarter* among the sample of generic drugs. Between three and ten generic drugs had increases in manufacturer list prices during the first quarter in each of the previous five years, representing between 4 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 1).^{iiiv}

Table 1: Number and Proportion of Generic Prescription Drug Products With List Price Changes in First Quarter, 2001-2006

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%
2006	0	75	0.0%

*Excludes drugs for which no WAC was listed.

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

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ⁱ 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>.

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

ⁱⁱⁱ 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. 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.

^{iv} 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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