

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

Introduction

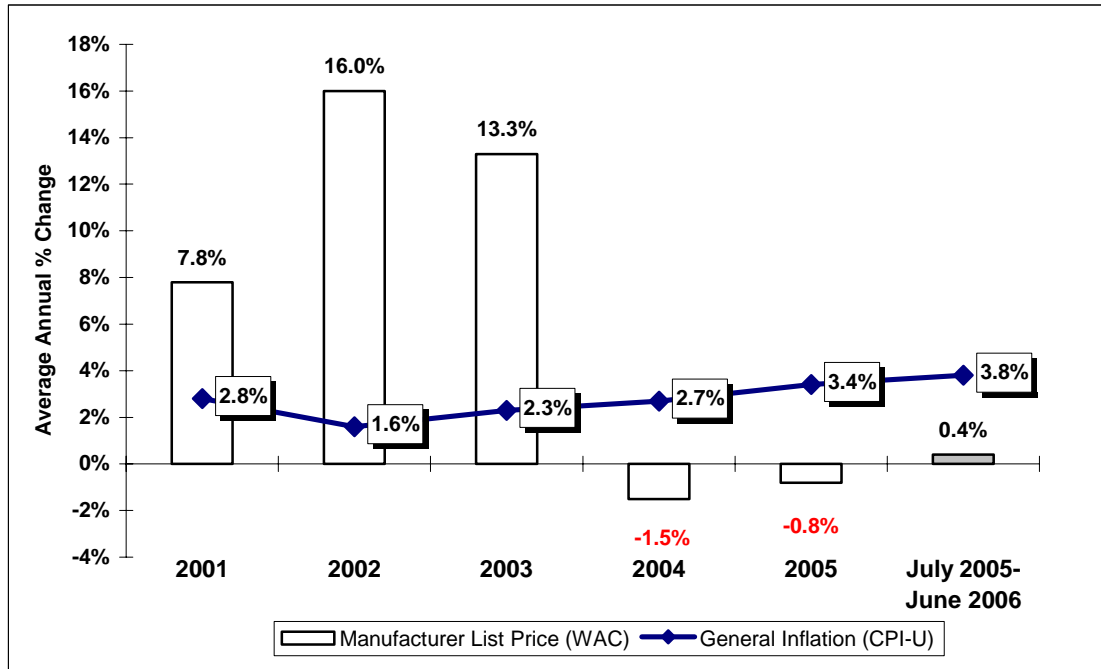
This Data Digest describes changes in manufacturer list prices in the second quarter of 2006 for the 75 generic prescription drugs most widely used by Americans age 50 and older. It is part of an ongoing study of changes in drug manufacturer list prices—that is, list prices that manufacturers set for 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 first three months of 2006.¹

As an analysis of manufacturer price changes, this particular study is limited by the lack of publicly available data that capture all of the discounts 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 an increase in manufacturer list price during the first six months of 2006 (December 31, 2005, through June 30, 2006).
- One drug, metformin 500 mg, experienced a manufacturer price decrease—more than 50 percent—in the second quarter of 2006 (March 31, 2006, through June 30, 2006).
- Manufacturer list prices for the sample of 75 generic drugs increased, on average, 0.4 percent in the 12 months ending with the second quarter (June) of 2006, 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 inflation² was 3.8 percent during the same 12-month period.
- The average annual manufacturer price increase for the 12 months ending with the second quarter of 2006 (July 1, 2005, through June 30, 2006) represents a reversal in direction from the average price changes for 2004 and 2005. The decrease in average manufacturer list price was greatest—1.5 percent—for the 12 months ending in December 2004.³

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



Prices do not reflect discounts 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., August 2006).

- The small average increase in drug manufacturer list prices for the 12 months ending in June 2006 occurs because there were price increases for some individual drugs during the second half of 2005 and because the ciprofloxacin HCl 500 mg price decrease is no longer part of the period being analyzed.

¹ 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>.

² 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.

³ The finding of falling average list prices for 2004 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 tablets (Barr Labs)—which fell 93.2 percent in June 2004. The decrease has an impact on calculations of average change in price for approximately two years, because the rolling average methodology used for the analysis is based on comparisons of prices in each month in the period with prices 12 months earlier.

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