

## TRENDS IN MANUFACTURER LIST PRICES OF GENERIC PRESCRIPTION DRUGS USED BY OLDER AMERICANS— SECOND AND THIRD QUARTER 2004 UPDATE

### INTRODUCTION

This Data Digest describes changes in manufacturer list prices during the first three quarters of 2004 (January through September) for the 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 quarter of 2004.<sup>i</sup>

This report presents two measures of change in manufacturer list prices for generic drugs during the second and third quarters of 2004. The first set of findings shows *annual* rates of change in manufacturer list prices for widely used generic drugs through the second and third quarters of 2004 using rolling average estimates. The second set of findings focuses on *year-to-date* percentage changes through the first three quarters of 2004 (i.e., changes from December 31, 2003 through September 30, 2004). 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.

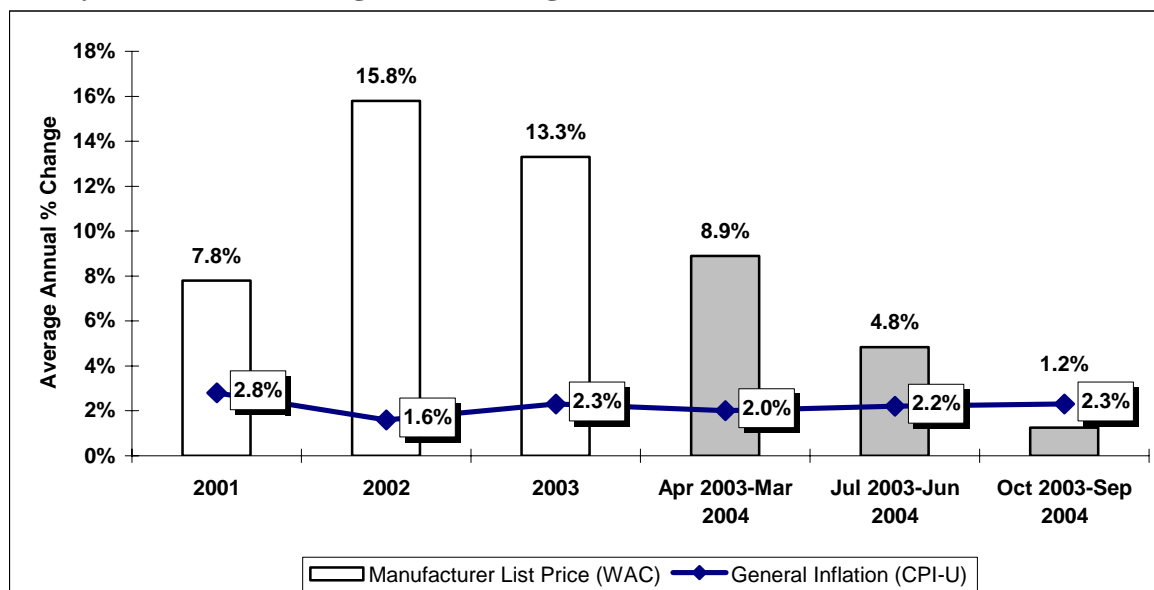
As an analysis of manufacturer price changes, this particular study is limited because of the lack of publicly available data that capture all of the discounts that generic drug manufacturers sometimes provide to wholesalers and other direct purchasers. These discounts can be quite substantial, in that manufacturer list prices, such as 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 4.8 percent in the 12 months ending with the second quarter (June) of 2004 and 1.2 percent in the 12 months ending with the third quarter (September) of 2004, 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 Third Quarter 2004**



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 2004).

- The average annual increase in manufacturer list prices for generic prescription drugs most widely used by older Americans was more than twice the rate of general inflation<sup>iii</sup> for the 12 months ending in the second quarter of 2004, but only about half the rate of inflation for the 12 months ending in the third quarter of 2004.
- The rates of growth in list prices during the second and third quarters of 2004 represent a continued deceleration from the rate for the 12 months ending in December 2002. By comparison, the average annual rate of general inflation during the same period increased from 1.6 percent (for the 12 months ending in December 2002) to 2.3 percent (for the 12 months ending with the third quarter of 2004).

### Year-to-Date Trends in Manufacturer List Prices

- Only seven (9.3 percent) of the 75 generic drugs in this study had an increase in manufacturer list price during the first three quarters of 2004 (Table 1). Of these seven drugs, only three had changes in list price during the second or third quarters of 2004. These three products are different strengths of the same drug, Levoxyl (manufactured by Monarch Pharmaceuticals). The list price of each of these Levoxyl products increased twice during the second and third quarters—once in April and again in July.

**Table 1: Nine-Month Percentage Change in Manufacturer List Prices for Generic Prescription Drug Products with Price Changes, First through Third Quarters 2004**

Rank by Sales among Study Sample*	Product Name, Strength, and Dosage Form	Package Size	Manufacturer	Therapeutic Class	% Change in WAC, December 31, 2003-September 30, 2004
24	Levoxyl tab 75 mcg	100	Monarch Pharmaceuticals	Thyroid Hormones	13.4%
18	Levoxyl tab 100 mcg	100	Monarch Pharmaceuticals	Thyroid Hormones	13.3%
20	Levoxyl tab 50 mcg	100	Monarch Pharmaceuticals	Thyroid Hormones	13.3%
5	timolol gel sol (ophth) .05%	5	Falcon	Ophthalmic Solutions	6.1%
28	Klor-Con 10 meq tab ER	100	Upsher-Smith	Potassium Supplements	4.0%
47	Klor-Con 10 meq tab	500	Upsher-Smith	Potassium Supplements	4.0%
2	ciprofloxacin 500 mg tab	100	Barr Labs	Anti-Infective Agents	3.0%

\*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.

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- Fewer generic drugs had increases in manufacturers' list prices during the first three quarters of 2004 than in the first three quarters of each of the previous three years. Between 13 and 19 generic drugs had increases in manufacturer list prices during the first three quarters in each of the previous three years, representing between 17 percent and 26 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).<sup>iv</sup>

**Table 2: Number and Proportion of Generic Prescription Drug Products with List Price Changes in First through Third Quarters, 2001-2004**

Year	Number of Generic Drugs with Manufacturer List Price Increases in First through Third Quarters	Total Number of Sample Generic Drugs on Market* in First through Third Quarters	% of All Sample Generic Drugs on Market* in First through Third Quarters with Manufacturer List Price Increases
2001	14	63	22.2%
2002	19	72	26.4%
2003	13	75	17.3%
2004	7	75	9.3%

\*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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<sup>i</sup> David J. Gross, Stephen W. Schondelmeyer, and Susan O. Raetzman, *Trends in Manufacturer List 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; David J. Gross, Stephen W. Schondelmeyer, and Susan O. Raetzman, *Trends in Manufacturer List Prices of Generic Prescription*

<sup>i</sup> David J. Gross, Stephen W. Schondelmeyer, and Susan O. Raetzman, *Trends in Manufacturer List 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; David J. Gross, Stephen W. Schondelmeyer, and Susan O. Raetzman, *Trends in Manufacturer List Prices of Generic Prescription Drugs Used by Older Americans—First Quarter 2004 Update*, AARP Public Policy Institute Data Digest DD#103 (Washington, DC: AARP), October 2004.

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

<sup>iii</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.

<sup>iv</sup> 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 before 2003 represented a greater share of products than they would have in the larger 2003 sample.

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