

TRENDS IN MANUFACTURER LIST PRICES OF GENERIC PRESCRIPTION DRUGS USED BY OLDER AMERICANS— 2004 YEAR-END UPDATE

INTRODUCTION

This Data Digest describes changes in manufacturer list prices in 2004 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 2004.ⁱ

This report shows annual rates of change in manufacturer list prices for widely used generic drugs through 2004 using rolling average estimates. It also lists the individual generic drug products for which the manufacturer list price changed during 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.ⁱⁱ WACs are the prices typically reported on invoices between the drug manufacturer and the drug wholesaler.

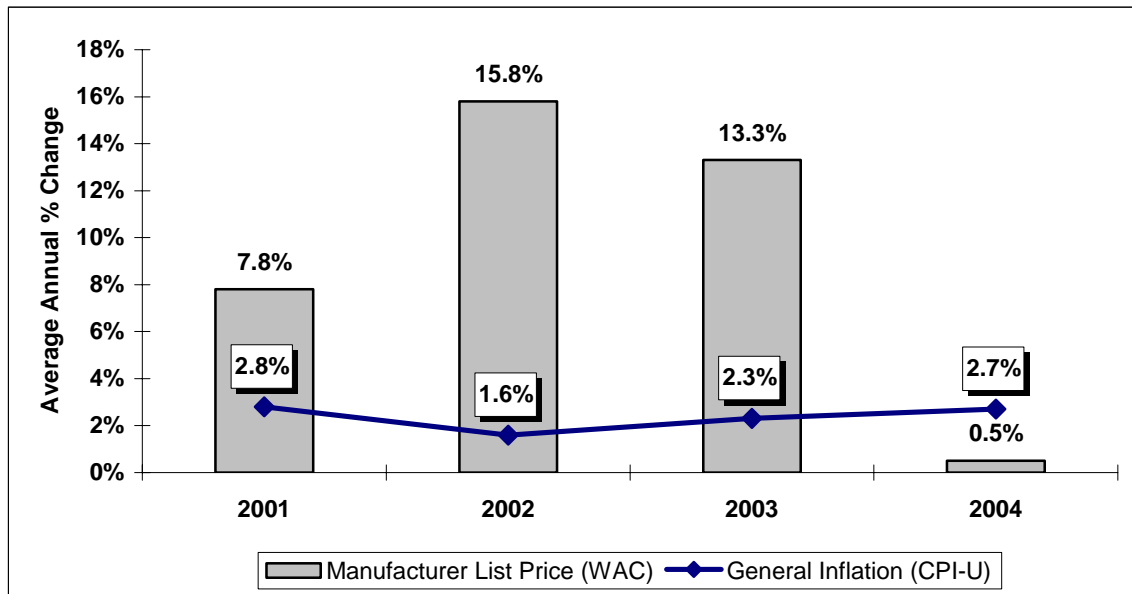
As an analysis of manufacturer price changes, this particular study is limited because of the lack of publicly available data that capture all of the discounts that generic drug manufacturers sometimes provide to wholesalers and other direct purchasers. These discounts can be quite substantial, in that manufacturer list prices, such as 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 0.5 percent in 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 2004



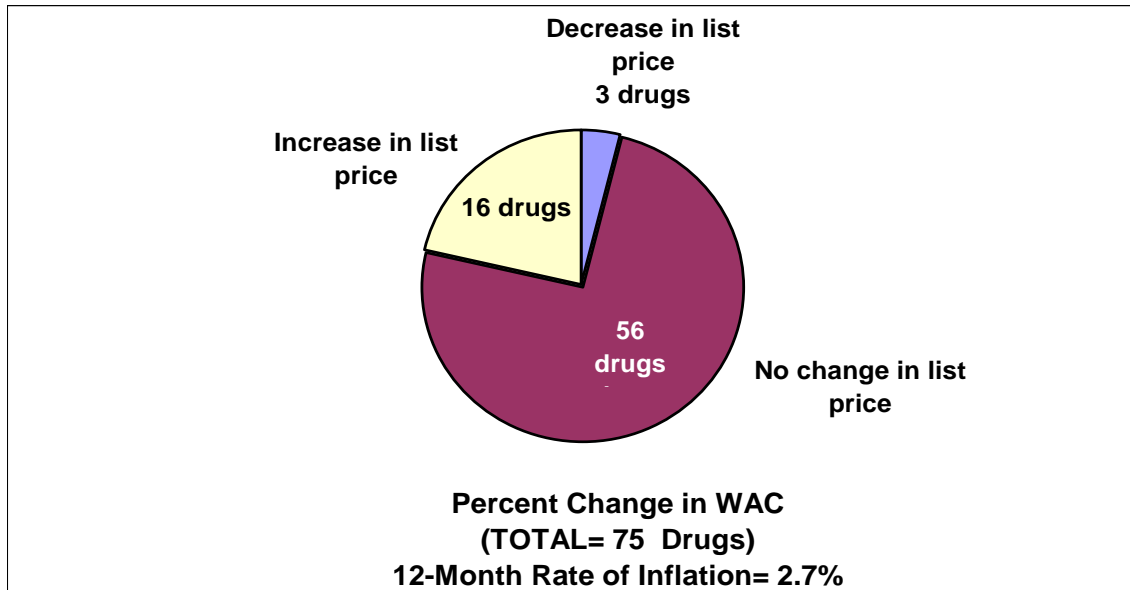
Prices do not reflect discounts that manufacturers may provide to wholesalers and other direct purchasers. Prepared by the AARP Public Policy Institute and the *PRIME* Institute, University of Minnesota, based on data found in Medi-Span Price-Chek PC (Indianapolis, IN: Wolters Kluwer Health Inc., February 2005).

- The average annual increase in manufacturer list prices for generic prescription drugs most widely used by older Americans was less than one-fifth the rate of general inflationⁱⁱⁱ for 2004.
- The rate of growth in list prices during the fourth quarter of 2004 represents a dramatic deceleration from the rate for 2003. By comparison, the average annual rate of general inflation during the same period increased from 1.6 percent in 2002 to 2.7 percent in 2004.

Changes in Manufacturer List Prices for Individual Drug Products in 2004

Of the 75 generic drugs in this study, nineteen (25 percent) had a decrease or increase in manufacturer list price in 2004 (Figure 2).

Figure 2: Distribution of Percentage Changes in Manufacturer List Prices for Most Widely Used Generic Prescription Drugs, 2004



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

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- Three drugs (4 percent) had decreases in manufacturer list price in 2004 when measured as a 12-month rolling average. The largest decrease was for Trimox 500 mg capsule (Sandoz), for which the list price fell 15.3 percent in 2004 (Table 1).

Table 1: Percentage Change in Manufacturer List Prices for Generic Prescription Drug Products with Price Decreases, 2004

Rank by Sales among Study Sample*	Product Name, Strength, and Dosage Form	Package Size	Manufacturer	Therapeutic Class	% Change in WAC, December 31, 2003-December 31, 2004
56	Trimox 500 mg capsule	500	Sandoz	Ampicillins	-15.3%
1	omeprazole 20 mg capsule	30	Kremers Urban	Proton Pump Inhibitors	-3.1%
9	pacerone 200 mg tablet	60	Upsher-Smith	Antiarrhythmics Type III	-2.0%
General inflation rate (as measured by growth in CPI-U), 2004					2.7%

*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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- Sixteen drugs (21 percent) had increases in manufacturer list price in 2004. Of these 16 drugs, nine had increases that exceeded the rate of general inflation (2.7 percent). The highest increases were for Levoxyl 50, 75, and 100 mcg tablets, for which the list price increased 9.7 percent in 2004 (Table 2).

Table 2: Percentage Change in Manufacturer List Prices for Generic Prescription Drug Products with Price Increases, 2004

Rank by Sales among Study Sample*	Product Name, Strength, and Dosage Form	Package Size	Manufacturer	Therapeutic Class	% Change in WAC, December 31, 2003-December 31, 2004
34	atenolol 25 mg tablet	100	Mylan	Beta Blockers Cardio-Selective	1.5%
61	alprazolam 0.5 mg tablet	500	Mylan	Benzodiazepines	1.6%
62	alprazolam 0.25 mg tablet	500	Mylan	Benzodiazepines	1.7%
2	ciprofloxacin 500 mg tablet	100	Barr Labs	Alatrofloxacin Mesylate	1.8%
58	Digitek 0.125 mg tablet	1000	Bertek Pharmaceuticals	Cardiac Glycosides	2.3%
31	atenolol 50 mg tablet	1000	Mylan	Beta Blockers Cardio-Selective	2.4%
10	gemfibrozil 600 mg tablet	500	Teva Pharmaceuticals	Fibric Acid Derivatives	2.6%
49	atenolol 50 mg tablet	100	Mylan	Beta Blockers Cardio-Selective	3.2%
28	Klor-Con 10 10 meq tablet ER	100	Upsher-Smith	Potassium	4.0%
47	Klor-Con 10 10 meq tablet ER	500	Upsher-Smith	Potassium	4.3%
5	timolol gel 0.5 % sol	5	Falcon Pharmaceuticals	Beta-blockers - Ophthalmic	5.6%
22	Digitek 0.125 mg tablet	100	Bertek Pharmaceuticals	Cardiac Glycosides	5.8%
36	Digitek 0.25 mg tablet	100	Bertek Pharmaceuticals	Cardiac Glycosides	5.8%
20	Levoxyl 50 mcg tablet	100	Monarch Pharmaceuticals	Thyroid Hormones	9.7%
18	Levoxyl 100 mcg tablet	100	Monarch Pharmaceuticals	Thyroid Hormones	9.7%
24	Levoxyl 75 mcg tablet	100	Monarch Pharmaceuticals	Thyroid Hormones	9.7%
General inflation rate (as measured by growth in CPI-U), 2004					2.7%

*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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ⁱ 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; David J. Gross, Stephen W. Schondelmeyer, Susan O. Raetzman, and Molly Melvin, *Trends in Manufacturer List Prices of Generic Prescription Drugs Used by Older Americans—Second and Third Quarter 2004 Update*, AARP Public Policy Institute Data Digest DD#110 (Washington, DC: AARP), February 2005.

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

ⁱⁱⁱ 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.

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