

# AARP® **Rx** WATCHDOG REPORT

VOL. 1, ISSUE 2 • JULY 2004

A CONSUMER NEWSLETTER ON PRESCRIPTION DRUG COSTS

## LEGISLATION Watch

### AARP Backs Prescription Drug Import Legislation

The long sought lawful opportunity to purchase prescription drugs from outside of the United States may soon be realized. AARP is vigorously in support of a bipartisan bill (S. 2328), sponsored by Senators Byron Dorgan (D-ND) and Olympia Snowe (R-ME.), and 22 cosponsors, representing both sides of the political aisle, that would legalize the safe importation of prescription drugs, beginning with Canada. The legal right to purchase drugs from Canada may provide some welcome relief from the high cost of prescription drugs sold in the United States. The bills' 20-plus cosponsors represent a broad bipartisan representation of the Senate including senators McCain, Clinton, Lott and Stabenow.

The law will provide a safe, legal and cost effective way for consumers to purchase drugs from Canada. The fact that importation is already happening is in response to the high cost of prescription drugs in this country. AARP recently released a study showing that the prices pharmaceutical manufacturers charged wholesalers for brand name drugs in

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## PRICING Report

### Rx Pricing Continues to Outpace Inflation for the First Quarter of 2004

The findings of AARP's latest report on pharmaceutical drug pricing strongly mirror AARP's earlier report on drug pricing for the years 2000 through 2003. In that report we found that manufacturers'

price increases to wholesalers for widely used brand name prescription drugs rose from 4.1% in 2000 to 6.9% in 2003. This latest report, *Trends in Manufacturer Prices of Brand Name Prescription Drugs Used by Older Americans—First Quarter 2004 Update*, by AARP's Public Policy Institute (PPI), found that the annual rate of increase in these manufacturer prices rose to 7.2% for the 12 months ending in March 2004. This increase is particularly troubling because the rate of inflation actually declined from

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#### MANUFACTURER PRICE CHANGES FOR BRAND NAME DRUGS WIDELY USED BY PEOPLE 50+

Rank by Sales*	Drug Product (Package Size)	Manufacturer	% Change in WAC, Dec 31, 2003–Mar 31, 2004
1	Fosamax 70 mg (4)	Merck	4.9%
2	Lipitor 10 mg (90)	Pfizer	4.6%
3	Plavix 75 mg (90)	Bristol-Myers Squibb	7.9%
4	Lipitor 20 mg (90)	Pfizer	2.9%
5	Prevacid 30 mg Dr (100)	TAP	0.0%
6	Celebrex 200 mg (100)	Pfizer	5.0%
7	Protonix 40 mg (90)	Wyeth	0.0%
8	Norvasc 5 mg (90)	Pfizer	4.3%
9	Plavix 75 mg (30)	Bristol-Myers Squibb	7.9%
10	Norvasc 10 mg (90)	Pfizer	4.2%
11	Nexium 40 mg (30)	AstraZeneca	3.9%
12	Flomax 0.4 mg (100)	Abbott	0.0%
13	Actonel 35 mg (4)	Proctor & Gamble	0.0%
14	Xalatan Sol 0.005% (2.5)	Pfizer	5.0%
15	Aricept 10 mg (30)	Eisai	4.5%

\*Ranking based on dollar value of prescriptions processed by the AARP Pharmacy Service during 2003. 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 2004).

## Filling the Prescription: What are Older Adults Looking For?

Paying for prescription drugs was a problem for 71 percent of people over 65, according to an AARP survey. The survey of 2,747 people found 35 percent said it was “a major problem” and another 36 percent said it was a “minor problem.” Those who were most likely to say that buying prescriptions drugs is a major problem are people with annual incomes below \$18,000. This same group is the target group for the Medicare Rx discount card and \$600 transitional assistance.

The survey group expressed great interest in the new Medicare Rx discount card, with 62 percent saying they were interested in receiving more information and 45 percent saying that they were likely to sign up for the card. Many people (16 percent) said they were unsure whether they would sign

up for a card, suggesting that there is confusion about the cards and a need for more information. Predictions varied on how much people thought they would save with the card, and most people (48 percent) said they just didn’t know how much they would save. Expectations were modest, however, with only 7 percent expecting significantly lower prescription prices and 18 percent saying they expected slightly lower prices.

Few people are willing to break the law to buy prescription drugs across the border, but according to the survey, most would like to see the law changed so they can. The survey found that while only 8 percent had purchased drugs from another country, 56 percent thought it should be legal.

The complete survey can be found at [http://research.aarp.org/health/rx\\_discount.html](http://research.aarp.org/health/rx_discount.html). Additional studies will be done to track how people’s experiences match up with their expectations. ○

## Legislation

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2003 increased by triple the rate of inflation. Our members have expressed a very strong desire to purchase drugs from abroad in response to the current high prices.

Though not a final solution to the problem of high drug costs, the safe importation of prescription drugs will help put downward pressure on prices and help individuals secure a degree of savings. Beyond the support of importation legislation, AARP is engaged in a prescription drug affordability campaign that includes importation as just of one several measures to reduce consumer cost. Others include the wise use of medications, the use of generics when appropriate, the greater use and availability of cost-effectiveness information, and giving HHS the authority to negotiate lower drug prices, on behalf of Medicare beneficiaries.

The Dorgan-Snowe legislation proposes several important safety standards urged by AARP, including a system of registration, inspection, and tracking of imported drugs; anti-tampering and anti-counterfeiting technologies; and clear labeling. The legislation also includes a requirement for a Web site and toll-free telephone number consumers can use to locate reputable sites for the purchase of imported drugs. Also critical to the legislation are measures to prevent the pharmaceutical industry from limiting supplies of drugs to countries from which we import lower-cost pharmaceuticals. ○

## CARD Watch

The AARP Pharmacy Services program, managed by United Health Group, has worked on behalf of AARP members to help you save on prescription drugs since 1959. This service offers a variety of card options, including the Medicare-approved AARP Prescription Discount Card, sponsored by United HealthCare Insurance Company.

Here are the top five most important questions for Medicare beneficiaries to consider when choosing a prescription drug discount card:

1. Does the program offer discounts on the drugs the beneficiary currently takes (while reducing overall costs)?
2. Is their favorite pharmacy in the network of the program they choose?
3. Did they choose a card sponsor they know and trust?
4. Did they maximize their savings with the \$600 Medicare credit (if they qualify) or access to drug manufacturer rebates?
5. Will they receive drug-interaction safety checks on all prescriptions filled at a network pharmacy?

## AARP Building a Functioning Market for Prescription Drugs

As the cost and frequency of drug use spirals ever higher, consumers are constantly asking themselves, or their providers:

*Is the new, expensive drug really more effective than the older drug for my condition?*

*Is there anywhere I can go to get reliable information that explains which drug I should be taking for my condition?*

Unfortunately, until recently, this kind of information wasn't available anywhere in the United States.

### States Join Oregon to Fund Research

To fill this information gap, and with the help of AARP Oregon, the state of Oregon began funding and using evidence-based research (EBR) related to prescription drugs for its Medicaid program in 2002. The intent of the plan is to base Medicaid purchasing decisions, at least for those not in a managed-care plan, on unbiased scientific evidence regarding the safety and effectiveness of comparable drugs.

Soon other states began to hear about the research and to understand how it could help them help contain drug costs. In fact, a number of states have already joined with Oregon to fund the Rx research with Oregon, now called "The Drug Effectiveness Review Project." As of April 1, 2004, a total of 10 states (AK, ID, KS, MI, MN, MO, NC, WA, WI, WY ) are part of this unique collaboration; many other states are negotiating to do so.

As more states have joined this multi-state effort, the potential for state cost savings has also increased. The Cen-

ter has now issued reports on more classes of drugs (i.e., at least 12), with the expectation that another 13 studies will be undertaken over the next year or so, including studies of high-cost mental health drugs that are important to states.

The EBR research program is currently being implemented and managed by the Center for Evidence-Based Research (CEBR) at Oregon Health and Sciences University in Portland. The reviews themselves are carried out by three evidence-based practice centers (EPICs)—one in Oregon, Southern California, and North Carolina.

### EBR: A Foundation for State and National Advocacy

As word about the EBR spreads, the pharmaceutical industry is working diligently to prevent states from joining the multi-state collaboration and using the research results as a basis for their respective cost-containment measures. Using the work pioneered by AARP Oregon and its National Office partners, including a consumer-friendly "translation of the research findings," AARP has become the key consumer voice in countering industry opposition.

Now AARP is embarking on a nationwide prescription drug affordability campaign, and the use of comparative effectiveness research as a consumer education and cost-containment tool will be central to it. As part of the campaign, AARP is working to make credible information available throughout the country about the relative effectiveness, safety, and cost of prescription drugs. If successful, the use of EBR should help both public and private sectors, as well as health care providers, make better, more cost-effective purchasing decisions. ○

### Pricing report

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2.3% in 2003 to 2.0%.

The report focuses on 197 of the most frequently used brand name drugs by persons 50 and older. For the three-month period ending March 2004, 16 of the top 25 most frequently used drugs experienced manufacturer price increases while nine drugs among the top 25 did not witness an increase in price. Two drug manufacturers, Bristol-Myers Squibb and Pfizer, have 12 of the top 25 selling

drugs and all 12 of those drugs experienced a price increase. Price increases for Pfizer drugs ranged from a 2.9% increase for Lipitor (20mg) to a 6.4% rise in price for Neurontin (300mg). Bristol-Myers Squibb drugs Pravachol (20mg and 40mg) and Plavix (75mg) experienced price increases of 7.0% and 7.9%, respectively.

However, some drug manufacturers were able to hold the line during the first quarter of 2004. For Merck, which

had three drugs in the top 25, only Fosamax (70mg) had an increase in price (4.9%), while Vioxx (25mg) and Zocor (20 mg) saw no change in price.

These figures reflect price increases for the first three months of the year and are not absolute indicators of prices for the remainder of 2004, but the rising trend in pricing continues to be of great concern to American consumers given the fact that these price increases outpaced general inflation of 1.2 percent. ○

## Rx Spotlight

### Drug Companies Spending Millions on Advertising: Who's Picking Up the Tab?

Pharmaceutical companies are allocating more and more of their budgets to advertising direct to consumers. Last year's Super Bowl featured ads for Cialis and Levitra. In the first five months of this year, the manufacturers of those drugs spent a total of \$265 million to advertise them to consumers.

AARP has been tracking just how much companies have been spending on advertising to the public with a special focus on the medications most used by older people. The tracking found that drug companies are spending astronomical amounts on "educating" consumers. AARP's drug pricing study found dramatic price increases for some of the same drugs that are being advertised at great cost.

Between January 1 and May 30 of 2004, Bristol-Myers Squibb spent about \$35 million on advertising Plavix, a blood thinner. In the first three months of 2004, the price manufacturers charged wholesalers for Plavix (75 mg) rose by 7.9 percent. Bristol-Meyers

*AARP's publications do accept pharmaceutical advertising.*

spent about \$7.2 million in the first five months of 2004 to advertise Pravachol, a cholesterol-lowering drug. The manufacturer price for Pravachol (20 mg and 40 mg) rose in the first quarter by 7.0 percent.

Merck spent \$42 million to advertise Zocor, another cholesterol-lowering drug, during the first five months of the year. Although the average price charged to wholesalers in the first quarter remained steady, between 1999 and 2003 prices for Zocor (30 mg, 60 mg and 90 mg) rose 25.8 percent.

Some of the drugs that were advertised heavily and saw price increases included:

Manufacturer	Drug	Therapeutic Purpose	Ad budget Jan 1–May 30
AstraZeneca	Nexium	Heartburn	\$106 million
Bristol-Myers	Plavix	Blood thinner	\$35 million
Bristol-Myers	Pravachol	Cholesterol	\$7.2 million
Merck	Fosamax	Osteoporosis	\$12 million
Pfizer	Celebrex	Arthritis	\$46 million
Pfizer	Lipitor	Cholesterol	\$67 million

**AARP** **Rx** WATCHDOG  
REPORT

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