

TRENDS IN MANUFACTURER LIST PRICES OF GENERIC PRESCRIPTION DRUGS USED BY OLDER AMERICANS— FIRST QUARTER 2004 UPDATE

INTRODUCTION

This Data Digest reports on changes in manufacturers' list prices during the first three months of 2004 (January through March) for the generic prescription drugs most widely used by Americans age 50 and over. It is the first quarterly update on generic drugs in an ongoing study of changes in manufacturer list prices—that is, manufacturers' list prices set for drugs sold to wholesalers. A baseline study 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 calendar year 2003.ⁱ

Presented below are two measures of change in manufacturer list prices for generic drugs for the first quarter of 2004. 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 2004. The second set of findings are *three-month* percentage changes in list prices (i.e., changes from December 31, 2003 through March 31, 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.

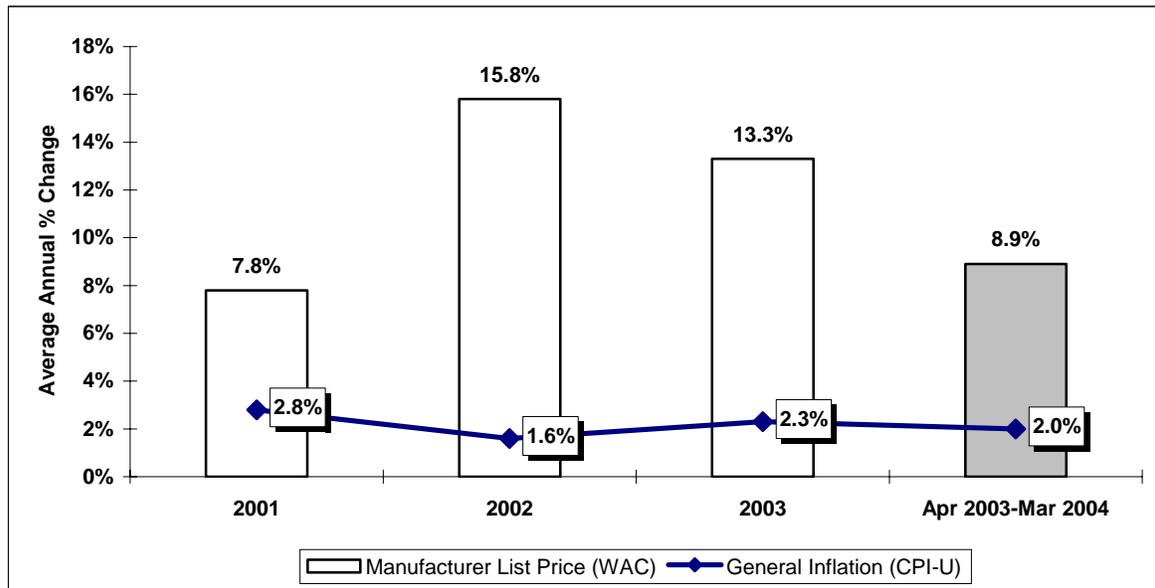
As an analysis of manufacturer price changes, this particular study is limited because of the lack of publicly available data that captures all of the discounts that generic drug manufacturers sometimes provide to wholesalers and other direct purchasers. These discounts can be quite substantial, such 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 manufacturers of those drugs.

FINDINGS

Annual Trends in Manufacturer List Prices

- Manufacturer list prices for the sample of 75 generic drugs rose 8.9 percent in the 12 months ending with the first quarter (March) 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 First 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., July 2004).

- The annual increase for this more recent time period represents a deceleration from the 12 months ending in December 2003, during which time the average annual rate of increase in manufacturer list price for the most widely used generic prescription drugs was 13.3 percent. By comparison, the average annual rate of general inflationⁱⁱⁱ fell from 2.3 percent (for the 12 months ending in December 2003) to 2.0 percent (for the 12 months ending with the first quarter of 2004).
- Despite the slowing rate of growth, the average annual increase in manufacturer list price for these generic drug products was nearly four-and-a-half times the rate of general inflation for the 12 months ending with the first quarter of 2004, down from nearly six times the rate of inflation in 2003.

Three-Month Trends in Manufacturer List Prices

- Only four of the 75 generic drugs in this study had an increase in manufacturer list price during the first quarter of 2004 (Table 1). The four drugs with price increases during the first quarter of 2004 accounted for 5.3 percent of the generic drugs in the study sample.

Table 1: Three-Month Percentage Change in Manufacturer List Prices for Generic Prescription Drug Products With Price Changes, First Quarter 2004

Rank by Sales Among Study Sample*	Product Name, Strength, and Dosage Form	Package Size	Manufacturer	Therapeutic Class	% Change in WAC, December 31, 2003-March 31, 2004
2	ciprofloxacin 500 mg tab	100	Barr Labs	Anti-Infective Agents	3.0%
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%

*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.

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., July 2004).

- Fewer generic drugs had increases in manufacturer list prices during the first quarter of 2004 than in the first quarters of the previous three years. Between five and ten generic drugs had increases in manufacturer list prices during the first quarter in each of the previous three years, representing between 7 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 2).^{iv}

Table 2: Number and Proportion of Generic Prescription Drug Products With List Price Changes in First Quarter, 2001-2004

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%

*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 David J. Gross, Stephen W. Schondelmeyer, and Susan O. Raetzman, *Trends in Manufacturer 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.

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.

^{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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