

TRENDS IN MANUFACTURER LIST PRICES OF GENERIC PRESCRIPTION DRUGS USED BY OLDER AMERICANS— 2006 YEAR-END UPDATE

INTRODUCTION

This Data Digest describes changes in manufacturer list prices in 2006 for 75 generic prescription drugs 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 third quarter of 2006.¹

This report shows annual rates of change in manufacturer list prices for widely used generic drugs from 2001 through 2006 using rolling average estimates. It also lists individual generic drug products for which manufacturers' list prices changed during 2006. Changes in list price are based on changes in the wholesale acquisition cost (WAC) as published in the Medi-Span Price-Chek PC database.² WACs are the prices typically reported on invoices between the drug manufacturer and the drug wholesaler.

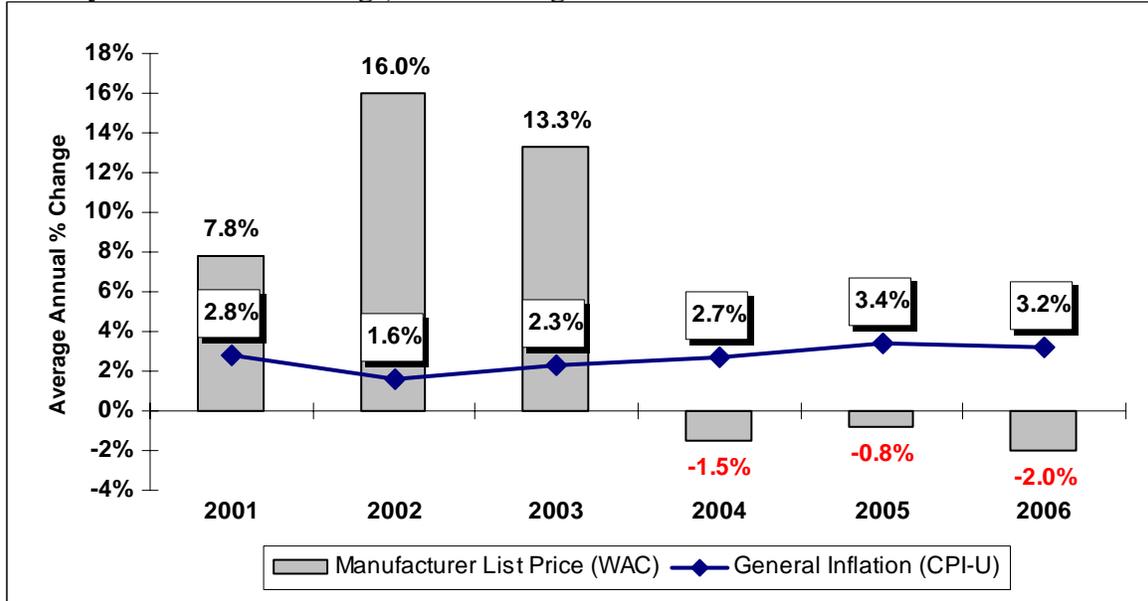
As an analysis of manufacturer price changes, this study is limited by the lack of publicly available data that capture all of the discounts that generic drug manufacturers sometimes provide to wholesalers and other direct purchasers. These discounts can be quite substantial, in that manufacturer list prices, such as WACs, 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 fell by 2.0 percent in 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 inflation³ was 3.2 percent during the same 12-month period.

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



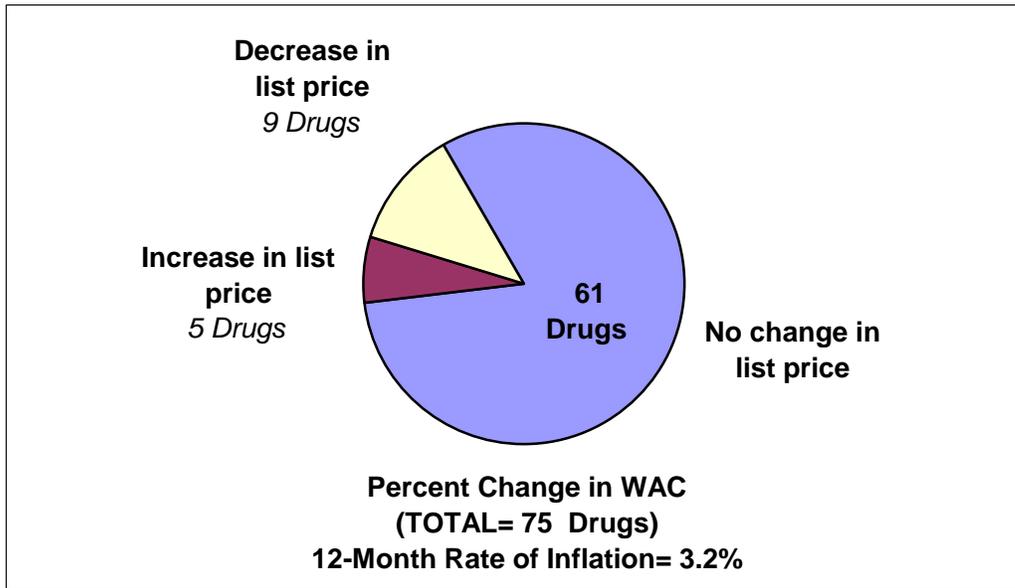
Prices do not reflect discounts that manufacturers may provide to wholesalers and other direct purchasers. Prepared by the AARP Public Policy Institute and the *PRIME* Institute, University of Minnesota, based on data found in Medi-Span Price-Chek PC (Indianapolis, IN: Wolters Kluwer Health Inc., February 2007).

- The rate of decrease in average annual change in manufacturer list prices for generic prescription drugs most widely used by older Americans was the largest decrease since the initiation of this study.

Changes in Manufacturer List Prices for Individual Drug Products in 2005

Of the 75 generic drugs in this study, five (7 percent) had an increase in manufacturer list price in 2006, and nine had a decrease in manufacturer list price (Figure 2).

Figure 2: Distribution of Percentage Changes in Manufacturer List Prices for Most Widely Used Generic Prescription Drugs, 2006



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- Five drugs had increases in manufacturer list price in 2006 when measured as a 12-month rolling average. All five of the drug price increases exceeded the rate of general inflation (3.2 percent). The highest increases were for Levoxyl 50, 75, and 100 mcg tablets, for which the list price increased 7.7 percent in 2006 (Table 1).

Table 1: Percentage Change in Manufacturer List Prices for Generic Prescription Drug Products with Price Increases, 2006

Rank by Sales among Study Sample*	Product Name, Strength, and Dosage Form	Package Size	Manufacturer	Therapeutic Class	% Change in WAC
62	Klor-Con 10 tab 10 meq ER	500	Upsher-Smith	Potassium Supplements	3.7%
42	Klor-Con 10 tab 10 meq ER	100	Upsher-Smith	Potassium Supplements	3.7%
34	Levoxyl tab 75 mcg	100	Monarch Pharmaceuticals	Thyroid Hormones	7.7%
29	Levoxyl tab 50 mcg	100	Monarch Pharmaceuticals	Thyroid Hormones	7.7%
27	Levoxyl tab 100 mcg	100	Monarch Pharmaceuticals	Thyroid Hormones	7.7%
General inflation rate (as measured by growth in CPI-U), 2006					3.2%

*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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- Among the nine drugs with decreases in manufacturer list price in 2006, the largest decrease was for lorazepam tab 0.5 mg (Mylan). Lorazepam's list price fell 37.7 percent in 2006 (Table 2).

Table 2: Percentage Change in Manufacturer List Prices for Generic Prescription Drug Products with Price Decreases, 2006

Rank by Sales among Study Sample*	Product Name, Strength, and Dosage Form	Package Size	Manufacturer	Therapeutic Class	% Change in WAC
61	lorazepam tab 1 mg	100	Mylan	Anti-Anxiety Agents	-37.7%
36	metformin tab 500 mg	100	Sandoz	Anti-Diabetics (Sulfas & Biquanides)	-29.7%
57	atenolol tab 50 mg	100	Sandoz	Beta Blockers Cardio-Selective	-20.8%
40	atenolol tab 25 mg	100	Sandoz	Beta Blockers Cardio-Selective	-20.6%
18	atenolol tab 50 mg	1000	Sandoz	Beta Blockers Cardio-Selective	-20.6%
49	atenolol tab 25 mg	1000	Sandoz	Beta Blockers Cardio-Selective	-18.1%
24	lisinopril tab 20 mg	100	Mylan	ACE Inhibitors	-36.3%
41	lisinopril tab 10 mg	100	Mylan	ACE Inhibitors	-17.4%
69	atenolol tab 100 mg	100	Sandoz	Beta Blockers Cardio-Selective	-17.3%
General inflation rate (as measured by growth in CPI-U), 2006					3.2%

*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.

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

³ 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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