

TRENDS IN MANUFACTURER LIST PRICES OF GENERIC PRESCRIPTION DRUGS USED BY OLDER AMERICANS— SECOND QUARTER 2005 UPDATE

Introduction

This Data Digest describes changes in manufacturer list prices in the second quarter of 2005 for the 75 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 first quarter of 2005.ⁱ

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 the wholesale acquisition cost (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

- None of the 75 generic drugs in this study had a change in manufacturer list price during the second quarter of 2005. Only three of the study drugs had increases in list price during the first quarter of 2005.
- In terms of annual trends, manufacturer list prices for the sample of 75 generic drugs rose by 0.9 percent in the 12 months ending with the second quarter (June) of 2005, when measured as a 12-month rolling average and weighted by actual 2003 sales to Americans age 50 and older.

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; *Trends in Manufacturer Prices of Generic Prescription Drugs Used by Older Americans, 2004 Year-End Update*, AARP Public Policy Institute Data Digest #DD113 (Washington, DC: AARP), April 2005; *Trends in Manufacturer List Prices of Generic Prescription Drugs Used by Older Americans, First Quarter 2005 Update*, AARP Public Policy Institute Data Digest #DD122 (Washington, DC, AARP), July 2005.

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