

AARP **Rx** WATCHDOG REPORT

A CONSUMER NEWSLETTER ON PRESCRIPTION DRUG COSTS

PRICING Report

Growth in Prescription Drug Prices Dramatically Outpaced Inflation 2000-2003

If you think your prescription drugs seem to cost you more each year, you are right. On average, prices charged by drug manufacturers to wholesalers for widely used brand name prescription drugs in 2003 increased three times the rate of inflation. The average annual increase in drug manufacturers' prices for widely used brand name drugs rose from 4.1% in 2000 to 6.9% in 2003, while the annual rate of general inflation fell from 3.3% in 2000 to 2.2% in 2003. Over the four-year period, this translates

into a cumulative average price increase of over 25 percent. In dollar terms, the average annual increase in the cost of prescription drug therapy due to higher manufacturers' prices for widely used brand name drugs nearly doubled between 2000 and 2003, rising from \$33.76 to \$60.38. For a typical older American (who takes three drugs) this would likely translate to an average annual spending increase of \$101 in 2000, continued on page 4

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

Rank by Sales	Drug Product (Package Size)	Manufacturer	Avg Annual % Change in Manuf. Price, 2000-2003	Cumulative % Change in WAC, Dec 99-Dec 03
1	Fosamax 70 mg tab (4)	Merck	5.6%	N/A
2	Lipitor 10 mg tab (90)	Pfizer	6.0%	26.3%
3	Plavix 75 mg tab (90)	BMS	7.8%	35.1%
4	Lipitor 20 mg tab (90)	Pfizer	4.8%	20.4%
5	Prevacid 30 mg cap DR (100)	TAP	5.2%	22.6%
6	Celebrex 200 mg cap (100)	Pfizer	4.1%	17.7%
7	Protonix 40 mg tab (90)	Wyeth	5.4%	N/A
8	Norvasc 5 mg tab (90)	Pfizer	4.6%	17.7%
9	Plavix 75 mg tab (30)	BMS	7.8%	35.1%
10	Norvasc 10 mg tab (90)	Pfizer	0.0%	0.0%
11	Nexium 40 mg cap (30)	AstraZeneca	4.1%	N/A
12	Flomax 0.4 mg cap (100)	Abbott	7.3%	32.7%
13	Actonel 35 mg tab (4)	P&G Pharm	4.8%	N/A
14	Xalatan 0.01 % sol (2.5)	Pfizer	5.4%	23.5%
15	Aricept 10 mg tab (30)	Eisai	4.2%	17.7%

SOURCE: AARP Public Policy Institute

AARP as Watchdog What are we watching and why?

The new prescription benefit in Medicare was a good first step to providing full coverage for America's older people, but the second step needed is to keep

down the price of prescription drugs. To that end, I'd like to introduce the *AARP Rx Watchdog Report*, a newsletter that will send a clear signal to the pharmaceutical industry that we are closely monitoring their every move. The *AARP Rx Watchdog Report* will evaluate and report on the activities of pharmaceutical manufacturers, their pricing policies, quarterly profits and expenditures on activities such as lobbying and continued on page 3

CARD Watch

Drug Discount Card Update

The new Medicare discount cards became effective June 1. The discount cards, issued by Medicare-approved companies, cost a maximum of \$30 and can potentially save cardholders 10 to 15 percent on their total prescription drug costs. The cards can be used to buy prescriptions by mail-order or at a local retail pharmacy.

Card sponsors each have their own enrollment forms, but in order to simplify things for consumers Medicare is requiring vendors to also provide and honor one standard enrollment form. The companies offering the card determine which drugs they will discount and by how much, so consumers should compare what their savings will be as compared to their present drug benefit coverage before deciding whether to apply for one of the optional cards.

United Healthcare Group, the provider of AARP Pharmacy Services, is an approved Medicare discount card sponsor. AARP Pharmacy Services will continue to honor its current discount card, both through its mail order service and retail outlets throughout the country.

A highlight of the Medicare discount card is the extra measure of help it offers to people with low

incomes, that is \$12,569 a year for one person or \$16,862 for a married couple. They will be eligible for up to a \$600 annual credit to help pay prescription drug costs in 2004 and another \$600 again in 2005.

Seniors and disabled persons enrolled in outpatient prescription programs through Medicaid are not eligible for the card or the low income benefit. Medicare beneficiaries who have drug coverage from the military (VA), (TRICARE), federal retiree health (FEHBP), or from an employer are not eligible for the low income credit.

Consumers should beware of unsolicited calls or visits from people claiming to be Medicare officials. Medicare-approved vendors are under strict guidelines and cannot solicit individuals.

AARP has published a new guide about the Medicare drug discount card program and you can get it by calling toll free 888-OUR-AARP (888-687-2277) (TTY 877-434-7598). In addition, a comparison of Medicare cards is posted on the official Medicare Web site, www.medicare.gov. This site enables you to enter your zip code and see a comparison of discounts offered by card issuers in your area. You may also talk directly with a Medicare specialist by dialing 1-800-633-4227. ○



Rx Spotlight

In each issue of *Rx Watchdog* we will focus on a large pharmaceutical company, reviewing what it may be doing to help or hinder people's ability to purchase its prescription drugs at affordable prices.

We begin by looking at Pfizer. Pfizer is the world's largest pharmaceutical company and the manufacturer of some of the most frequently used prescription drugs, including Celebrex, Lipitor, Norvasc, Viagra, Zoloft, and Zyrtec.

Pfizer at a Glance

■ Pfizer is doing very well. Their revenue for 2003 was \$45.2 billion, up

40% over 2002. Their revenue from the first quarter of 2004 was \$12.5 billion, up 47% from the same period last year.

■ According to the company's Web site, its estimated research and development budget for 2004 is \$7.9 billion. However, it must be noted that while Pfizer's commitment of \$7.9 billion for research is among the largest in the industry, Pfizer's published revenues for the first three months of 2004 exceeds their R&D allocation for all of 2004.

Border Wars

Pfizer has moved aggressively to prevent importation and has stepped up efforts to stem the flow of some of its

more popular drugs from Canada back to the United States. It recently cut off drug exports to several Canadian online pharmacies that target American consumers, forcing some pharmacies to look to Europe for their drug supplies.

Citizen groups, shareholders, and politicians have attempted to sway Pfizer on importation, as well as to convince the company to limit drug prices to the rate of inflation. Pfizer's position is that consumers who cannot afford to pay for their drugs should take advantage of their prescription drug card.

For more information visit www.pfizer.com.

LEGAL Watch



AARP Foundation Litigation is part of the association's comprehensive strategy to make prescription drugs more affordable. Recently, a case that challenged a Michigan program to make prescription drugs affordable was decided in favor of the program and the argument in the *amicus* brief filed by AARP. PhRMA (the trade association for brand name drug manufacturers), and several patient groups challenged the program that reduced the costs Michigan pays for prescriptions for residents on Medicaid. The Michigan legislature established a formulary based on effectiveness, safety and cost, and allowed other drugs to be added if the manufacturer agreed to provide a rebate for them. Since the program was put in place Michigan's Medicaid drug costs have been rising just 2.5 percent annually, down from about 17

percent before the program.

PhRMA challenged the program, arguing that the law is not in the "best interest" of individual Medicaid recipients. In its *amicus* brief, AARP argued that by making drugs more affordable for everyone, the plan is in fact in the "best interest" of both the Medicaid population at large and individual Medicaid beneficiaries. It also urged the federal appellate court to find the Michigan program a balanced way to provide prescription drugs to the widest number of people at the lowest cost possible. The U.S. Court of Appeals for the DC Circuit agreed and upheld the U.S. Secretary of Health and Human Services' (HHS) authority to approve Michigan's plan. It also rejected the plaintiffs' contention that the plan posed a threat to the health of beneficiaries.

AARP as watchdog
continued from page 1

advertising. It will also provide information on the new Medicare benefit, what is working well and what is not.

In this inaugural issue, we will discuss the top line findings from a new report prepared by AARP researchers who have studied the wholesale prices of 200 of the most widely used prescription drugs from 1999 to 2003 and provided an analysis. What they found may surprise you. The entire report is available on www.aarp.org.

Marie F. Smith, President, AARP

LEGISLATION Watch Importation a Solution?

The Medicare drug law was a good first step, but more needs to be done to hold down the rising costs of prescription drugs.

Brand name prescription drugs from Canada cost 50 to 70 percent less than the same drugs in the U.S. Legalizing their importation into the U.S. would assist many Americans who now are having difficulty paying for the medications they need. Importation is not a panacea, but in the long term could provide downward pressure on the cost of drugs.

Many AARP members already are going to Canada or purchase their drugs from there online. Importation is happening today. It is time for the law to catch up. AARP looks forward to working with members of Congress to craft a bill that will help meet the pricing

needs of our members and that ensures their health and safety.

AARP is working for a bill that would allow importation from Canada that also gives the FDA the authority and resources to inspect foreign pharmaceutical plants to ensure they conform to US safety standards. Links from the FDA Web site, or a toll-free number, would provide safe international purchasing.

To prevent tampering in the distribution process, the FDA will need authority and resources to regularly inspect the flow of prescription drugs from the manufacturer to the consumer and investigate evidence of noncompliance.

We are pleased that members of both parties in Congress have recognized the need for importation, and AARP is ready and willing to work with them. ○

Drug price study

continued from page 1

rising to \$181 in 2003, if these prices were passed on to consumers.

These dramatic findings are part of an important new AARP study, *Trends in Manufacturer Prices of Brand Name Prescription Drugs Used by Older Americans, 2000 through 2003*, written by David Gross of AARP's Public Policy Institute (PPI) and Professor Stephen W. Schondelmeyer of the University of Minnesota.

The report presents the results of a study of changes in manufacturers' prescription drug prices from 2000-2003 for the nearly 200 brand name prescription drugs most widely used by Americans age 50 and older. This report compares price changes to the rate of general inflation and from one year to the next. It focuses on the price that drug manufacturers charge wholesalers because that is a substan-

tial component of the final retail price. A change in the price the drug manufacturers charge to wholesalers generally results in a similar percent change in the price that you, the consumer, pay.

The fact that most of these price increases tend to be far greater than the growth in Social Security income, which is pegged to the rate of general inflation, and greater than the growth in median income for people 50-64 implies a substantial burden on Americans, particularly older ones who tend to use more prescription drugs on a per capita basis. The difficulties consumers already face in meeting their medical needs will only increase if this trend in prices continues.

AARP, through its Public Policy Institute, will monitor and regularly report on these changes. This will help keep you informed and remind drug manufacturers of the need to keep prices in line with inflation. ○



Managing Editor Marty Davis Editors Carol Shirley, Woody Goulart
Copyright © 2004 AARP Reprinting with permission only D18131 (504)
601 E Street NW, Washington, DC 20049 • www.aarp.org • 1-888-OUR-AARP