



Highlights of [GAO-05-779](#), a report to congressional requesters

PRESCRIPTION DRUGS

Price Trends for Frequently Used Brand and Generic Drugs from 2000 through 2004

Why GAO Did This Study

Prescription drug spending has been the fastest growing segment of national health expenditures. As the federal government assumes greater financial responsibility for prescription drug expenditures with the introduction of Medicare part D, federal policymakers are increasingly concerned about prescription drug prices. GAO was asked to examine the change in retail prices and other pricing benchmarks for drugs frequently used by Medicare beneficiaries and other individuals with health insurance from 2000 through 2004.

To examine the change in retail prices from 2000 through 2004, we obtained usual and customary (U&C) prices from two state pharmacy assistance programs for drugs frequently used by Medicare beneficiaries and non-Medicare enrollees in the 2003 Blue Cross and Blue Shield (BCBS) Federal Employee Program (FEP). The U&C price is the price an individual without prescription drug coverage would pay at a retail pharmacy. Additionally, we compared the change in U&C prices for brand drugs from 2000 through 2004 to the change in two pricing benchmarks: average manufacturer price (AMP), which is the average of prices paid to manufacturers by wholesalers for drugs distributed to the retail pharmacy class of trade, and average wholesale price (AWP), which represents the average of list prices that a manufacturer suggests wholesalers charge pharmacies.

www.gao.gov/cgi-bin/getrpt?GAO-05-779.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Marjorie Kanof at (202) 512-7114 or kanofm@gao.gov.

What GAO Found

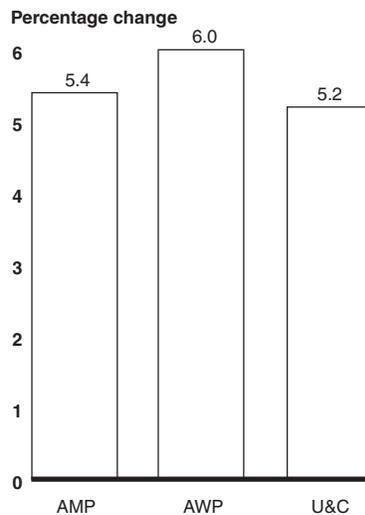
We found the average U&C prices at retail pharmacies reported by two state pharmacy assistance programs for a 30-day supply of 96 drugs frequently used by BCBS FEP Medicare and non-Medicare enrollees increased 24.5 percent from January 2000 through December 2004. Of the 96 drugs:

- Twenty drugs accounted for nearly two-thirds of the increase in the U&C price index.
- The increase in average U&C prices for 75 prescription drugs frequently used by Medicare beneficiaries was similar to the increase for 76 prescription drugs frequently used by non-Medicare enrollees.
- The average U&C prices for 50 frequently used brand prescription drugs increased three times as much as the average for 46 generic frequently used prescription drugs.

AWPs increased at a faster rate than AMPs and U&C prices for the 50 frequently used brand drugs from first quarter 2000 through fourth quarter 2004. Ten drugs in each index accounted for almost 50 percent of the increase for AMP, AWP, and U&C prices. Eight of these 10 drugs were consistent across the three price indexes.

The Centers for Medicare & Medicaid Services (CMS), two state pharmacy assistance programs, and BCBS FEP reviewed a draft of this report. While CMS noted that U&C and AWP do not reflect discounts in a drug's price, this report's focus was to examine price trends rather than price levels. Technical comments were incorporated as appropriate.

Average Annual Percentage Change of AMP, AWP, and U&C Price Indexes for 50 Brand Drugs Frequently Used by Enrollees in BCBS FEP, from First Quarter 2000 through Last Quarter 2004



Source: GAO analysis of data from CMS, First DataBank, New York's Elderly Pharmaceutical Insurance Coverage program, Pennsylvania's Pharmaceutical Assistance Contract for the Elderly program, and BCBS FEP.