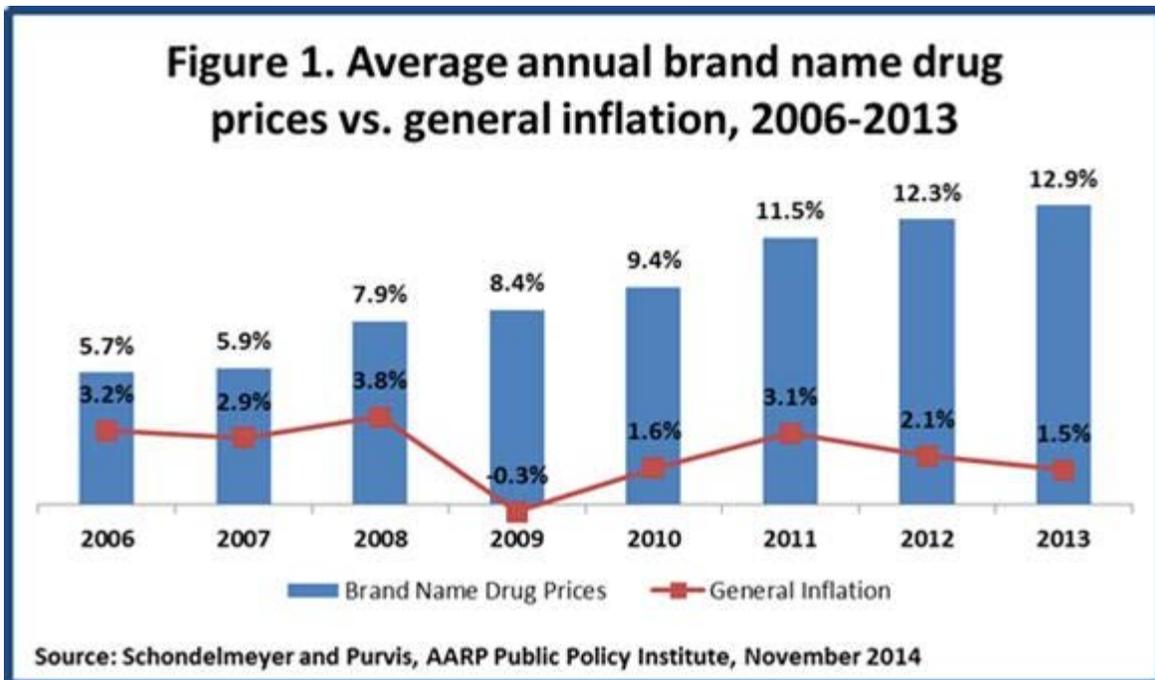


## Trends in Retail Prices of Brand Name Prescription Drugs for Older Americans 2006 to 2013

According to a new report by the AARP Public Policy Institute, the annual percentage change in retail prices for brand name prescription drugs has consistently increased substantially faster than general inflation in recent years. Retail prices for the 227 brand name drug products most widely used by older Americans rose 12.9% in 2013 (Figure 1). The average annual retail price increase in 2013 for these brand name prescription drug products was more than eight times higher than the rate of general inflation (12.9% vs. 1.5%).



The average annual retail price increase for brand name prescription drug products in 2013 (12.9%) was more than two times higher than the average annual brand name drug price increase in 2006 (5.7%). The annual retail price change for brand name drug products reported in Figure 1 averages annual point-to-point price changes for each month in a 12-month period (referred to as a rolling average change), smoothing over the entire year the annual change in brand name drug price that occurs for a single month (referred to as an annual point-to-point change). The analysis reveals three broad trends since implementation of the Medicare Part D program:

- The retail price of brand name drug products has steadily increased over time since 2006;

- Brand name drug price increases at the retail level have been substantially higher than the rate of general inflation; and
- The gap between the rate of brand name drug price change and the rate of change in general inflation has substantially widened over the period from 2006 to 2013. This gap has ranged from a less than two-fold difference in 2006 to a nearly nine-fold difference in 2013. The cost of brand name drug therapy reached nearly \$3,000 per drug per year in 2013.

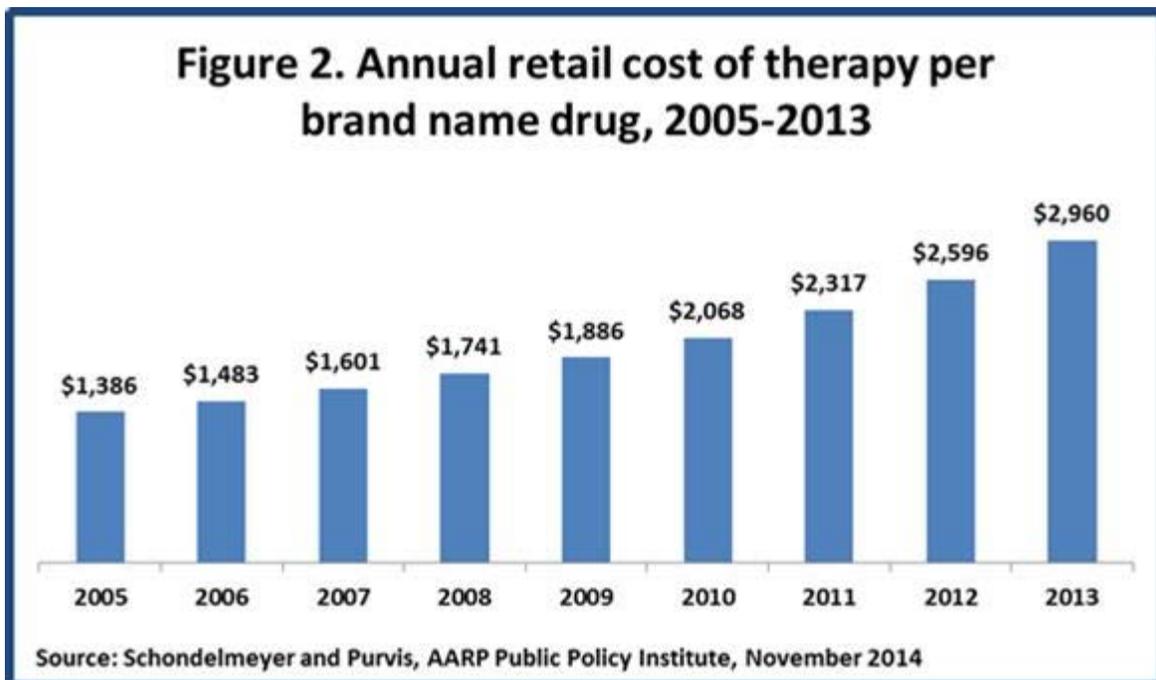


Figure 2 presents the retail price for widely used brand name drugs indicated for treating chronic conditions when the price is expressed as an average annual cost of therapy per drug. The average cost of therapy was nearly \$3,000 per drug per year for brand name prescription drugs at the retail level in 2013. This average annual cost (\$2,960) is more than double the average annual cost (\$1,386) for a brand name drug in 2006, the year Medicare implemented Part D. Almost two-thirds of older Americans take three or more prescription drugs in a given year. If they used brand name drugs to treat their chronic conditions, they would have experienced an average annual retail cost of drug therapy of \$8,880 for three drugs in 2013.

AARP collaborated with the University of Minnesota's PRIME institute to develop a new market basket of widely used prescription drugs based on 2011 data provided by the Truven Health MarketScan Research Databases and a Medicare Part D plan provider. United Healthcare provides Medicare Part D coverage and is the organization that insures the AARP Medicare Rx plans. This Medicare Part D plan provider supplied data for all prescriptions provided to its Medicare Part D enrollees in 2011.

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