 Prices of Widely Used Generic Drugs Drop Substantially in 2015 after Two Years of Price Increases

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• Generic drugs have long been a means of helping consumers and payers reduce prescription drug costs, currently accounting for more than 85 percent of all retail prescriptions filled in the United States.

• In 2015, retail prices for 399 widely used generic prescription drugs fell by an average of 19.4 percent. In contrast, the general inflation rate was 0.1 percent over the same period.

• The average annual generic drug price decrease in 2015 was the largest decrease since at least 2006.
  — The average annual generic drug price decrease in 2015 followed two consecutive years (2013 and 2014) where generic drug prices increased by an average of 10.2 percent and 1.6 percent, respectively.

• All but one of the 399 generic prescription drug products in the study’s market basket had at least one retail price increase between 2010 and 2015.
  — Forty-seven widely used generic drug products had an extraordinary price increase—that is, a price increase which exceeded 100 percent at a single point in time.

• The average annual cost for a generic medication used on a chronic basis was more than $520 in 2015. On average, older Americans take 4.5 prescription drugs every month. Consequently, older adults who use generic prescription drugs are likely to have experienced an average annual retail cost of drug therapy of about $2,355 in 2015.
  — This amount is roughly 9 percent of the median income for Medicare beneficiaries in 2015.

• Understanding what is driving the recent retail price increases for some generic prescription drugs, as well as how these factors might be mitigated, will become more important as more brand name drugs and biologicals enter the market with unusually high prices.
Average Annual Generic Drug Prices Declined Substantially in 2015 after Two Consecutive Years of Price Increases

Source: Prepared by the AARP Public Policy Institute and the PRIME Institute, University of Minnesota, based on data from Truven Health MarketScan® Research Databases.