

Rx Price Watch

Price Growth for Brand Name and Specialty Drugs More Than Offset Price Decreases for Generic Drugs

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In 2015, retail prices for a combined set of 768 widely used prescription drugs increased by an average of 6.4 percent; in contrast, the general inflation rate was 0.1 percent over the same period.

The average annual increase in retail prices for the AARP combined set of drug products exceeded the corresponding rate of general inflation every year from 2006 through 2015. These findings are attributable entirely to drug price growth among brand name and specialty drugs, which more than offset often substantial price decreases among generic drugs.

In 2015, the average cost of a drug was almost \$13,000 per drug per year for widely used prescription drugs. This cost was:

- Four-fifths of the average Social Security retirement benefit (\$16,101),
- More than half of the median income for Medicare beneficiaries (\$25,150), and
- Almost one-quarter of the median US household income (\$55,775).

Spending increases driven by high and growing drug prices will eventually affect all Americans in some way.

Those with private health insurance or their employers will pay higher premiums and cost sharing for their health care coverage.

Prescription drug price increases affect consumers and taxpayers who fund programs like Medicare and Medicaid. Over time, they could also lead to higher taxes and/or cuts to public programs to accommodate increased government spending.

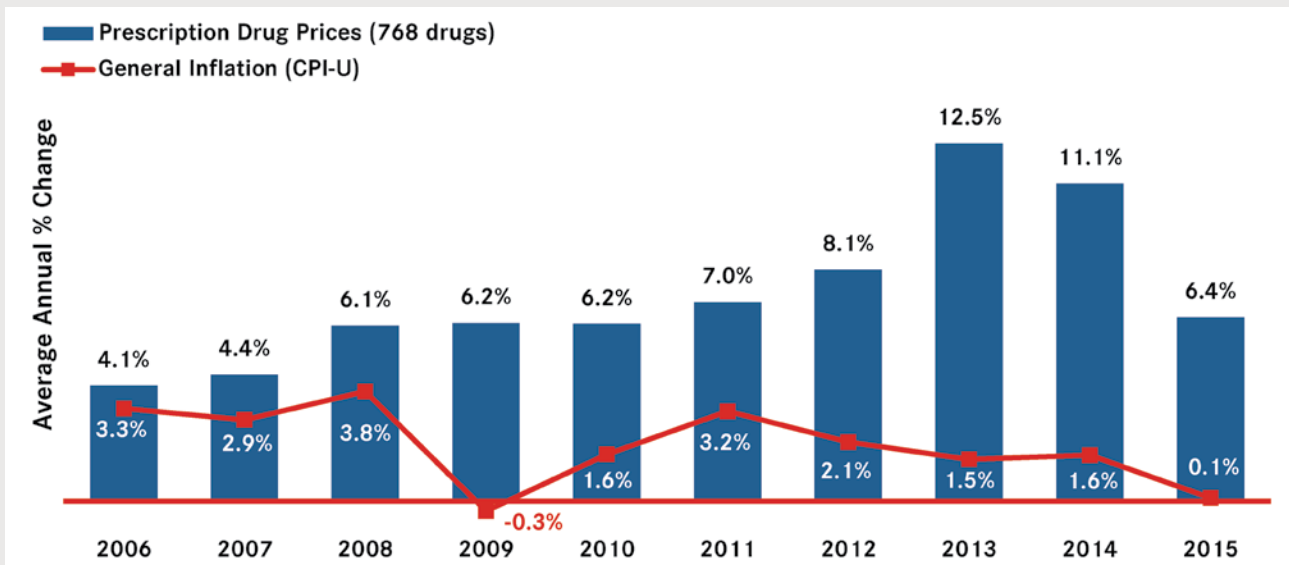
If these trends continue, older Americans—particularly those on fixed incomes—will be unable to afford the prescription drugs that they need, leading to poorer health outcomes and higher health care costs in the future.

Policy makers interested in reducing the impact of prescription drug prices should focus on options that support meaningful innovation, while also protecting the health and financial security of consumers and taxpayer-funded programs like Medicare and Medicaid.



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Average Annual Prescription Drug Price Change Consistently Higher Than Inflation between 2006 and 2015



Note: Calculations of the average annual prescription drug price change include the 768 drug products most widely used by older Americans (see Appendix A).

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

Rx Price Watch 2017-08, December 2017

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