

Rx Price Watch

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

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In 2020, retail prices for a combined set of 943 widely used prescription drugs (brand name, generic, and specialty) increased by an average of 3.1 percent; in contrast, the general inflation rate was 1.3 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 almost every year from 2006 through 2020. These findings are attributable primarily to drug-price growth among brand name and specialty drugs, which largely offset often substantial price decreases among generic drugs.

In 2020, the average annual cost for widely used prescription drugs used to treat chronic conditions was more than \$26,000 per drug per year. This cost was:

- More than 40 percent higher than the average Social Security retirement benefit (\$18,034),
- Nearly 90 percent of the median income for Medicare beneficiaries (\$29,650), and
- More than one-third of the median US household income (\$69,639).

The average price of therapy for the AARP combined market basket greatly exceeded the average price of therapy for the brand name

and generic market baskets. The higher price of therapy for the combined market basket is due to the markedly higher price level of specialty drug products. In 2020:

- The average annual cost of therapy for widely used *generic* drug products was \$679,
- The average annual cost of therapy for widely used *brand name* drug products was \$6,604, and
- The average annual cost of therapy for widely used *specialty* drug products was \$84,442.

Notably, the average annual cost of drug therapy for one drug used on a chronic basis would have been more than \$14,000 lower in 2020 (i.e., \$12,112 vs. \$26,393) if retail price changes had been limited to the rate of general inflation between 2006 and 2020. A new law will penalize drug companies that increase their prices faster than the rate of inflation; however, these penalties do not apply to the full US health care market.

Full report available at:
www.aarp.org/rxpricewatch

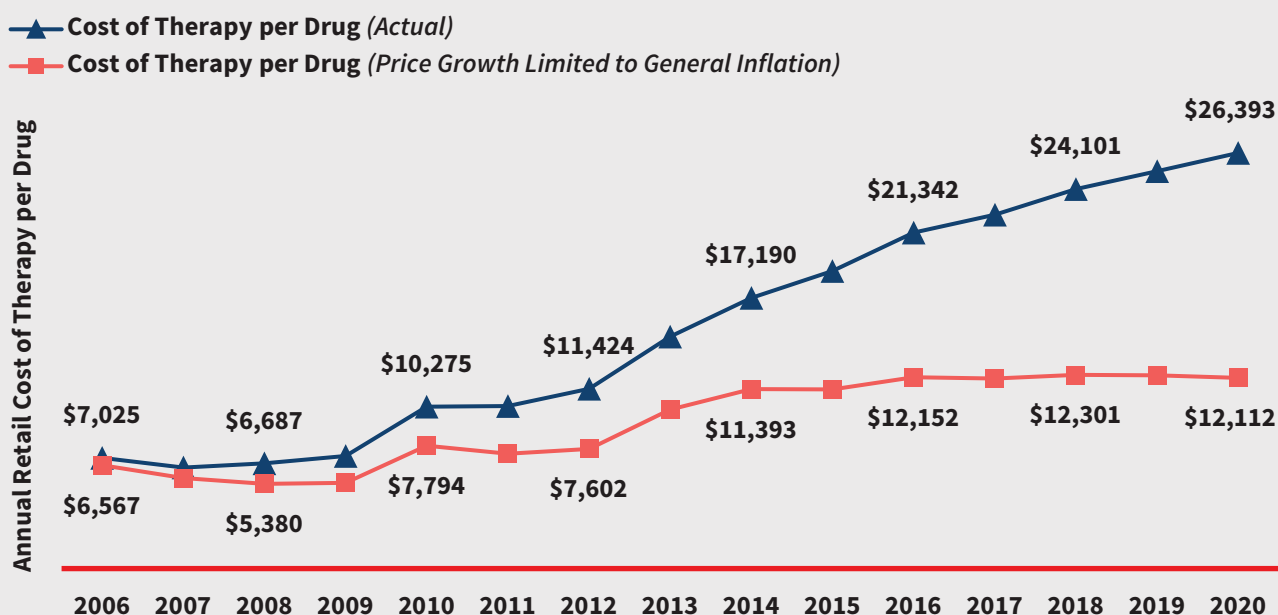
Prescription drug price increases affect consumers, employers, private insurers, and taxpayers who fund programs like Medicare and Medicaid. Spending increases driven by high and growing drug prices will eventually affect all Americans in some way.

Those with private health insurance will pay higher premiums and cost sharing for

their health care coverage. Over time, it could also lead to higher taxes and/or cuts to public programs to accommodate increased government spending.

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

The Average Annual Cost of Widely Used Prescription Drugs Would Be Substantially Lower if Retail Price Changes Were Limited to the Rate of General Inflation



Note: Calculations of the average annual prescription drug price of therapy include the 630 prescription drug products most widely used by older Americans for chronic conditions.

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

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