

## Spotlight

# Prices for Top Medicare Part D Drugs Have More Than Tripled Since Entering the Market

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**This AARP Public Policy Institute *Spotlight* finds that list prices for 25 top Medicare Part D drugs have increased by an average of 226 percent—or more than tripled—since they first entered the market. These lifetime price increases greatly exceeded the corresponding rate of general inflation. We also found that, on average, more than half of the current list prices of the top 25 drugs are due to price increases after the products first entered the market. These findings highlight the importance of a new law that will penalize drug companies that increase their prices faster than the rate of inflation.**

## Background

Brand-name drug prices have been increasing faster than the rate of general inflation for decades,<sup>1,2</sup> and drug companies have increasingly relied on such price increases for revenue growth.<sup>3,4</sup> This pricing behavior can be particularly challenging for Medicare Part D enrollees, who take an average of four or five prescription drugs every month<sup>5</sup> and often face cost sharing that is directly affected by drug price increases.<sup>6</sup> One in five older adults report engaging in cost-coping strategies such as not filling a prescription or skipping doses to save money on their prescription medications.<sup>7</sup>

In response to this challenge, Congress and the current administration recently passed the Inflation Reduction Act, which contains a variety of provisions to address high prescription drug prices and related costs.<sup>8</sup> One provision will require drug companies to pay a rebate to Medicare if their prices increase faster than the rate of general inflation. The Congressional Budget Office has estimated that these inflation-based rebates will reduce enrollee and Medicare Part D program spending by billions of dollars and will lead to lower drug prices in the commercial insurance market.<sup>9</sup>

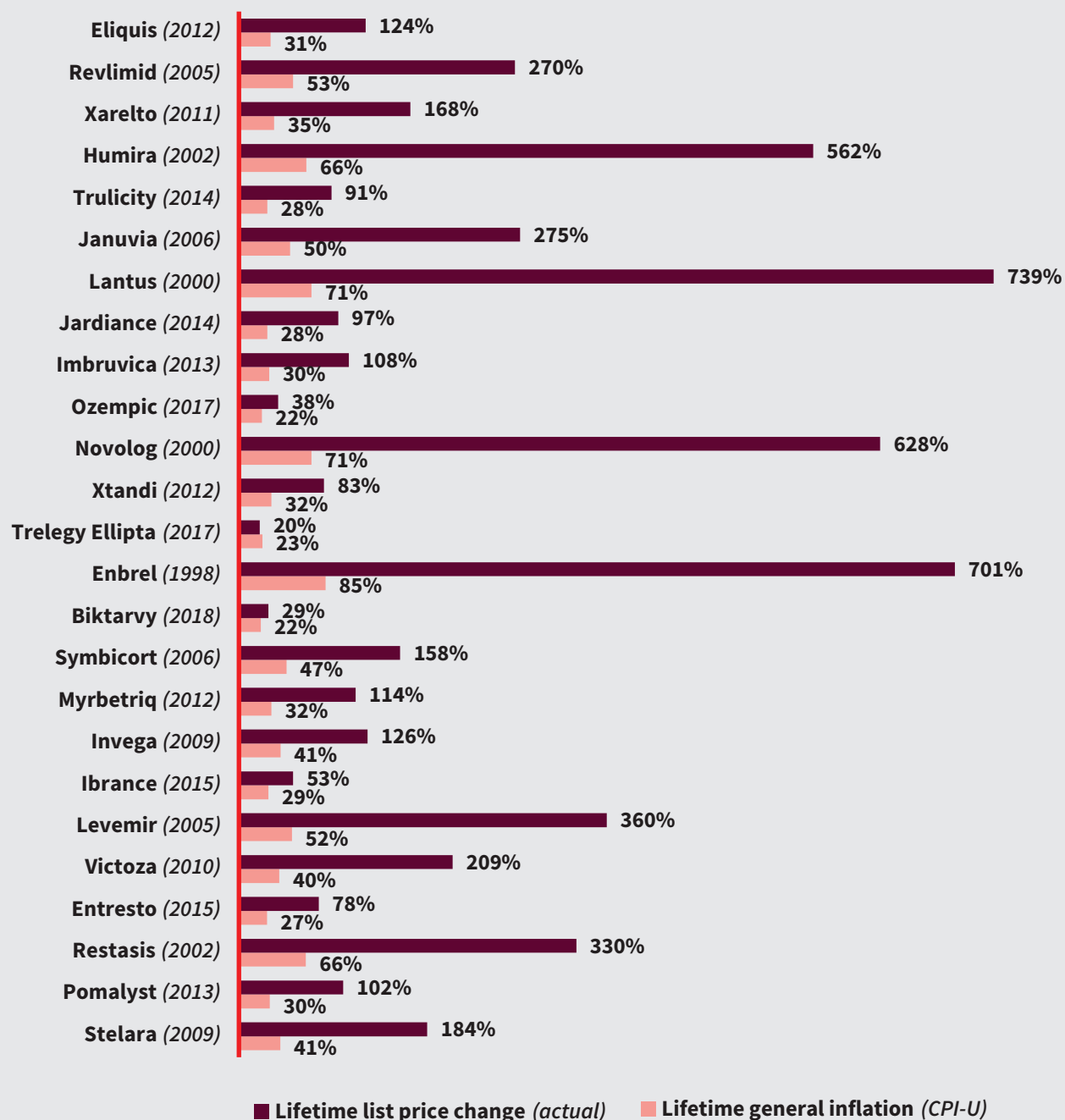
This *Spotlight* provides additional context for the importance of the new inflation-based rebates by examining how the prices of 25 top Part D drugs have changed since each product entered the market.

## Analysis

This analysis is based on the 25 brand-name drugs with the highest total Medicare Part D spending in 2021 (“top 25 drugs”), as reported in the Medicare Part D Spending by Drug Dashboard.<sup>10</sup> Overall, these top 25 drugs were responsible for \$80.9 billion in total Medicare Part D spending in 2021 and were used by a total of more than 10 million Part D enrollees.

Our analysis found that list prices for the top 25 drugs have increased by an average of 226 percent—or more than tripled—since they first entered the market. These lifetime price increases ranged from 20 percent to 739 percent. We also found that all but one of the top 25 drugs’ lifetime price increases greatly exceeded the corresponding annual rate of general inflation (Consumer Price Index All Urban Consumers for All Items; CPI-U) over the period that each product has been on the market (i.e., product launch date until May 2023).<sup>11</sup>

FIGURE 1

**Lifetime List Price Increases Greatly Exceed the Corresponding Rate of Inflation**

**Sources:** AARP Public Policy Institute analysis of data from the Centers for Medicare & Medicaid Services' Medicare Part D Spending by Drug Dashboard and Medi-Span Price Rx Pro.

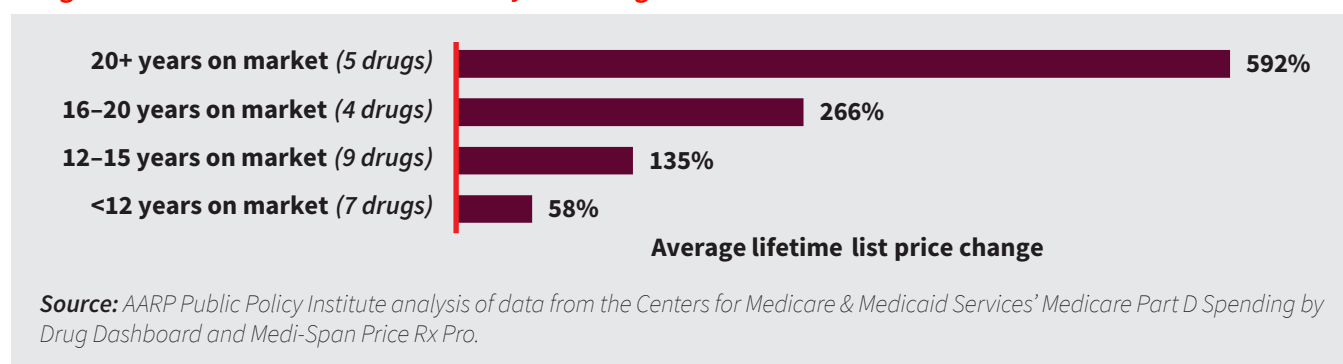
**Note:** The year in parentheses after each brand-name drug is the year the product entered the market. The general inflation rate is based on the CPI-U All Items.

The top 25 products have been on the market for an average of 14 years, ranging from 5 years to 23 years. Unsurprisingly, lifetime list price changes increase dramatically the longer a product has been on the market. For example, the average lifetime price increase for the seven products on the market for less than 12 years was 58 percent, whereas the average lifetime

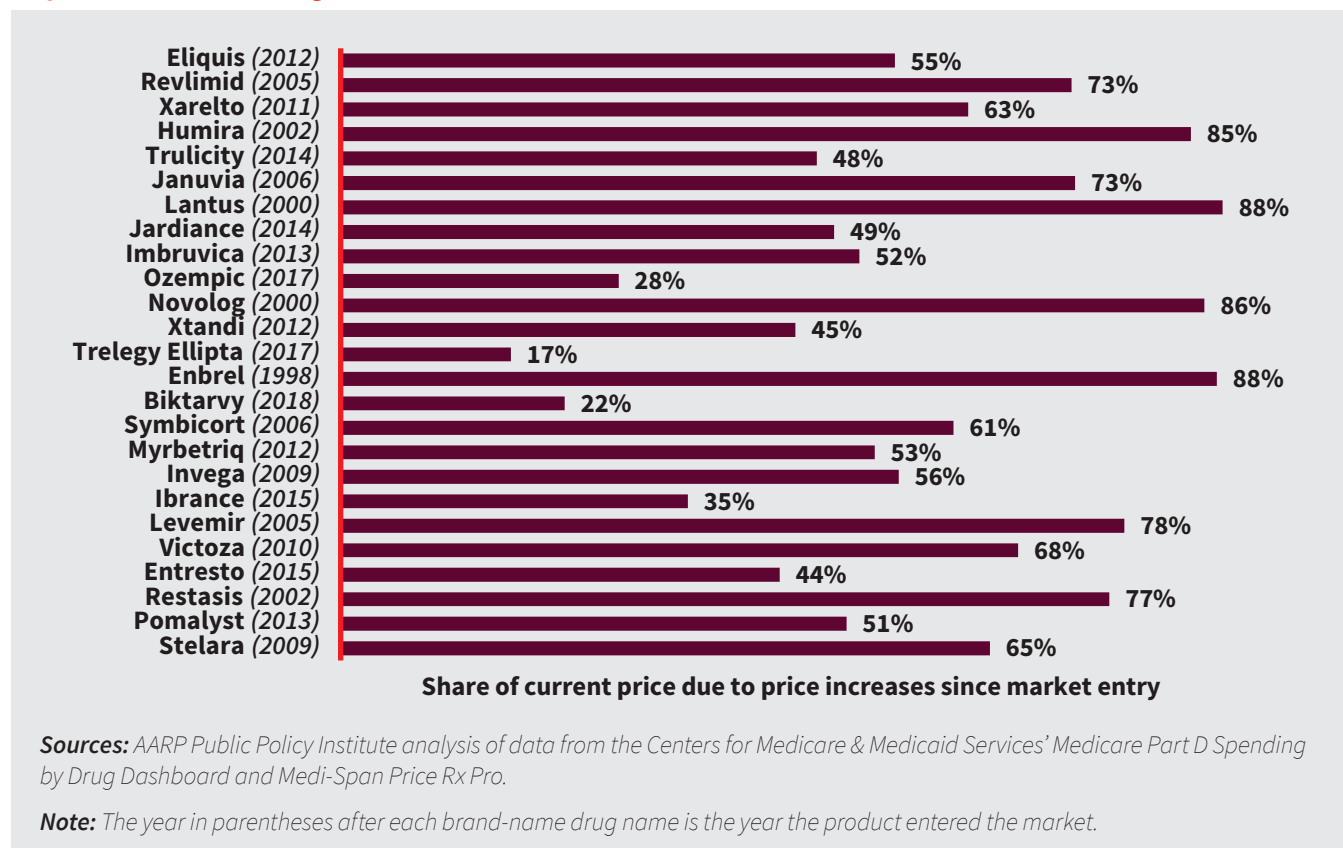
price increase for the five products on the market for 20 years or longer was 592 percent.

We also examined the role that these lifetime list price increases played in the current list price for each product. We found that, on average, nearly 60 percent of the current list price for the 25 top drugs is due to price increases after the product entered the market.

**FIGURE 2**  
**Drug List Prices Increase Dramatically the Longer a Product Is on the Market**



**FIGURE 3**  
**Majority of Top 25 Drug List Prices Is Due to Price Increases After the Products Entered the Market**



## Conclusion

Although individual prescription drug price increases naturally attract attention, it is equally important to recognize that these increases typically build on a lengthy history of earlier increases—often resulting in prices many times higher than when the products entered the market. This analysis found that, on average, the list prices of 25 top Medicare Part D drugs have more than tripled since they first entered the market and that these lifetime price increases greatly exceeded the corresponding rate of inflation. We also found that, on average, price increases that occurred after the products first entered the market are responsible for more than half of the current list prices for the top 25 drugs.

While the current analysis reflects a relatively small subset of brand-name prescription drugs, research indicates that the pricing trends found in this analysis are widespread.<sup>12,13</sup>

These findings highlight the importance of the Inflation Reduction Act and its inflation-based rebates that will require drug companies to pay Medicare when they increase their prices faster than inflation. The existence of such penalties should discourage drug companies from engaging in this type of lifetime pricing behavior in the future. It will also become increasingly important as more expensive prescription drugs enter the market. The median price of a new brand-name prescription drug is now approximately \$200,000 per year,<sup>14</sup> meaning even a nominal price change could increase a drug's price by thousands of dollars.

Medicare Part D is a taxpayer-funded program, and the Medicare Payment Advisory

Commission has noted that drug price increases are a major factor driving Medicare Part D spending growth.<sup>15</sup> Higher government spending driven by drug price increases will affect all Americans in the form of higher taxes, cuts to public programs, or both. Equally important, increased drug costs—if left unchecked—will prompt more older Americans to stop taking necessary medications, thus leading to poorer health outcomes and higher health care costs in the future.<sup>16</sup>

The long-term impact of the new inflation-based rebates remains to be seen. However, given the magnitude of lifetime price changes seen among many popular brand-name drugs, even a small movement in the right direction will result in a substantial improvement over the status quo.

## Methodology

This report is based on an AARP Public Policy Institute analysis of 2021 data from the Centers for Medicare & Medicaid Services, Medicare Part D Spending by Drug Dashboard,<sup>17</sup> and Medi-Span Price Rx Pro.<sup>18</sup>

Drug list price changes were compared to the corresponding rate of general inflation (CPI-U)<sup>19</sup> for the same period that each of the top 25 brand-name drugs has been on the market (i.e., product launch date until May 2023).

The analysis is also based on list prices rather than on the confidential average manufacturer price (AMP) that will be used to calculate the new inflation-based rebates. However, there is a relationship between the two price metrics; the Congressional Budget Office (CBO) has found AMP to be approximately 90 percent of the list price.<sup>20</sup>

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