

The Medical Letter[®]

on Drugs and Therapeutics

Volume 59

May 22, 2017

ISSUE No.

1521

IN THIS ISSUE

Prescription Drug Prices in the US p 81

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Volume 59 (Issue 1521)

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▶ Prescription Drug Prices in the US

Revised 2/13/18: See page 82

Per capita spending on prescription drugs in the US is higher than in other industrialized nations, including Canada.¹

OTHER COUNTRIES – In most industrialized countries, unlike the US, drug prices are regulated by the government. Centralized advisory boards determine the clinical efficacy and cost-effectiveness of a drug. Prices are based in part on external price referencing (comparison of drug prices in several countries to determine a reference price) and are often transparent and capped.² Fewer payers are involved, and in some countries, there is only a single public payer.

LIST PRICE vs NEGOTIATED PRICE – Drug pricing in the US is complicated by multiple factors, including list prices that do not reflect what is actually paid for a drug, the number of middlemen involved in getting a drug from the manufacturer to the consumer, and the negotiation of discounts and rebates that are not transparent.³ The list price of a prescription drug in the US is set by the manufacturer and is generally higher than the actual price for payers such as pharmacy benefit managers (PBMs), health insurers, hospitals, and government organizations. The actual price is negotiated between manufacturers and payers; the payers receive rebates or discounts from the manufacturers in exchange for advantages such as more favorable formulary placements.⁴

OUT-OF-POCKET COST – Most health insurance companies offer plans that charge patients copays for prescription drugs; the copay varies depending on the insurance plan and which “tier” the drug occupies. Many plans have high deductibles that must be met before coverage begins or coinsurances that require the patient to pay a percentage of the drug cost. Uninsured patients and those with high deductibles generally pay the most for prescription drugs.

GENERIC DRUGS AND BIOSIMILARS – Choosing generic drugs instead of costlier brand-name products can reduce out-of-pocket costs for both

Table 1. Terminology^{1,2}

Wholesale Acquisition Cost (WAC)
▶ Manufacturer's list price to wholesalers or direct purchasers, not including any discounts or rebates
▶ Not based on actual sales transactions
▶ "List price"
Average Manufacturer Price (AMP)
▶ Average price wholesalers pay to the manufacturer, including discounts and rebates
▶ Based on actual sales transactions
▶ Generally lower than WAC, especially for generic drugs
Average Acquisition Cost (AAC)
▶ Average cost pharmacies pay for drugs from wholesalers after discounts
▶ Calculated by states based on pharmacy invoices
Usual and Customary Price (U&C)
▶ Price paid by a patient without insurance or other discounts
▶ "Cash price"
Payers
▶ Include pharmacy benefit managers (PBMs), health insurers, government organizations, and hospitals
Pharmacy Benefit Manager (PBM)
▶ Intermediary between manufacturers, health insurance plans, and patients
▶ Operates prescription drug plans
▶ Develops and maintains formularies
▶ Processes and pays prescription drug claims
▶ Negotiates discounts and rebates with manufacturers
Wholesaler
▶ Purchases drugs from manufacturers
▶ Sells drugs to pharmacies
Biosimilar
▶ A biologic product that is highly similar to an approved biologic product (reference product)
▶ No clinically meaningful differences in safety, purity, or potency compared to the reference product
▶ Same mechanism of action, route of administration, dosage form, and strength as the reference product

1. Department of Health and Human Services. Office of Inspector General. Medicaid drug price comparisons: average manufacturer price to published prices. June 2005. Available at: <https://oig.hhs.gov/oei/reports/oei-05-05-00240.pdf>. Accessed May 11, 2017.
2. J McRae et al. A review of US drug costs relevant to Medicare, Medicaid, and commercial insurers post-affordable care act enactment, 2010-2016. *Pharmacoeconomics* 2017; 35:215.

insured and uninsured patients. Some pharmacies offer a 30-day supply of certain generic drugs for only \$4. Use of biosimilars is also potentially cost-saving, but switching from original brand-name biologics to biosimilars may be complicated because pharmacists cannot substitute a biosimilar without contacting the prescriber, and rebates paid

Table 2. Drug Prices in the US and Canada

Drug	US Cost ¹	CAN Cost ²
Adalimumab – Humira (Abbvie)	\$4441.20	\$1624.60
Apixaban – Eliquis (BMS)	388.40	101.30
Aripiprazole ³ – Abilify (Otsuka)	892.00	114.50
Dulaglutide – Trulicity (Lilly)	676.00	205.80
Epinephrine injection ³ – EpiPen (Mylan)	608.60 ⁴	188.80 ⁴
Fluticasone/salmeterol – Advair HFA (GSK)	361.40 ⁵	104.50 ¹¹
Insulin glargine – Lantus (Sanofi)	74.60 ⁶	19.60 ⁶
Lansoprazole ¹⁰ – Prevacid ⁷ (Takeda)	415.10	63.30
Ledipasvir/sofosbuvir – Harvoni (Gilead)	31,500.00 ⁸	23,561.70 ⁸
Rosuvastatin ⁹ – Crestor (AstraZeneca)	260.90	55.30
Sitagliptin – Januvia (Merck)	381.00	95.90

1. Approximate WAC for 30 days' treatment at the lowest usual adult dosage. WAC = wholesaler acquisition cost or manufacturer's published price to wholesalers; WAC represents a published catalogue or list price and may not represent an actual transactional price. Source: AnalySource@Monthly. May 5, 2017. Reprinted with permission by First Databank, Inc. All rights reserved. ©2017. www.fdbhealth.com/policies/drug-pricing-policy.
2. Approximate WAC for 30 days' treatment at the lowest usual adult dosage, based on prices in Canadian dollars obtained from a national wholesaler (prices in Ontario, April 2017).
3. Available generically in the US.
4. Cost for two auto-injectors.
5. Cost for an inhaler containing 115 mcg of fluticasone and 21 mcg of salmeterol per actuation.
6. Approximate cost for one prefilled pen.
7. Prevacid 24HR is available over the counter in the US and costs about \$18.50 for 28 capsules.
8. Cost for 28 days' treatment.
9. Available generically in the US and Canada.
10. Available generically in Canada.
11. Cost for an inhaler containing 125 mcg of fluticasone and 25 mcg of salmeterol per actuation.

by manufacturers often keep brand-name products in preferred positions on formularies.⁵

DISCOUNTS – To help patients find the lowest price for a particular drug, some websites compare prices at local pharmacies, list available coupons, offer discount prices, or search for patient assistance programs.⁶⁻⁸ Patients should be cautioned, however, that using different pharmacies to fill their prescriptions could increase the risk of drug interactions because prescription information is not shared between pharmacies.

Manufacturer-sponsored drug coupons for insured patients and assistance programs for uninsured and underinsured patients can lower the out-of-pocket costs of some drugs, sometimes significantly. Manufacturers often offer coupons to help patients cover the higher copays of brand-name drugs, but the coupons are generally time-limited and insurers must still pay the higher cost to the manufacturer. The end result is likely to be an increase in insurance premiums.⁹

INTERNET PHARMACIES – Patients who use online pharmacies to save money should look for those that are Verified Internet Pharmacy Practice Sites

(VIPPS); these are US-based pharmacies that are accredited by the National Association of Boards of Pharmacy and are considered safe.¹⁰ Purchasing drugs from unreliable foreign or internet pharmacies can put patients at risk of receiving counterfeit, contaminated, or unapproved products.

CANADIAN DRUGS – Drug prices are generally substantially lower in Canada than in the US (see Table 2), but importation of drugs from Canada that are available in the US is illegal.^{11,12} Moreover, many internet pharmacies that claim to sell Canadian drugs actually sell drugs produced in other countries.

CONCLUSION – The US spends more on prescription drugs than other industrialized countries. Uninsured patients and those with high deductibles generally pay the highest prices. Lower-cost generics, patient assistance programs, and comparison shopping can reduce out-of-pocket drug costs. Drug prices are lower at some internet pharmacies, and pharmacies accredited by the National Association of Boards of Pharmacy are considered safe. Drug prices are generally lower in Canada, but importation from Canada of drugs that are available in the US (or any other country) is illegal. ■

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