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Prescription Drugs

Drug Manufacturers Raising Prices on Popular Medications

Ending a "summer lull ahead of the politically sensitive election season," pharmaceutical companies have begun raising prices on their products, with many increases surpassing economists' estimates of a 2.5% consumer inflation rate, the Wall Street Journal reports. According to Delta Marketing Dynamics, 31 of the 50 biggest-selling medications in the pharmaceutical industry saw price increases between November 2004 and Jan. 19, up from 22 of the top 50 one year ago. Pfizer, the "industry bellwether," this month raised the price on most of its U.S. medicines by nearly 5%, including a 5% increase on top-selling cholesterol drug Lipitor, the Journal reports. Pfizer said it was "not immune to the rising costs of doing business." By comparison, the average wholesale price of Bristol-Myers Squibb's cholesterol drug Pravachol increased 5.9%, resulting in a 13.3% increase on a compounded basis since January 2004. According to the Journal, pharmaceutical companies raised prices on a number of products that have seen an increase in sales as a result of Merck's withdrawal of Vioxx. BMS's painkiller Mobic -- which the company co-markets with Abbott Laboratories and Boehringer Ingelheim -- this month saw a price increase of 7% and 11% on 7.5 milligram and 15 milligram doses, respectively. Boehringer Ingelheim said the price increases for Mobic, which saw its sales triple to $258 million in the fourth quarter, were in line with the pharmaceutical industry's traditional January increase. Products that saw a price increase despite weakened sales included Pfizer's epilepsy drug Neurontin and erectile-dysfunction drug Viagra.

Reasons for Increases

According to the Journal, pharmaceutical companies are raising prices in part to "make up for huge sales losses, or impending ones, from generic competition." A number of top-selling drugs, including Pfizer's antibiotic Zithromax, will lose patent protection this year. In addition, pharmaceutical companies are raising prices now in anticipation of "downward pressure" on prices resulting from the new Medicare prescription drug benefit, which will begin on Jan. 1, 2006. Bill Little, president of Delta Marketing, said pharmaceutical companies "could come out aggressively [in 2005] to set the floor higher" for upcoming price negotiations with the federal government. "What the drug makers are desperate to do is harvest a few more fat years of profit before the storm hits," Alan Sager, a professor at the Boston University School of Public Health, said. However, Mason Tenaglia, a pharmaceutical industry consultant with Charles River Associates, said this year's price increases are more the result of the weakened state of the industry than anticipation of future losses. The companies are "raising their prices because they can and because they need to," Tenaglia said, adding, "Their costs are going up and their volumes are going down as products go generic." According to the Journal, the result for consumers will be higher out-of-pocket costs as employers continue to raise copayments for brand-name drugs and drug benefit spending caps for some health plans are reached more quickly (Tesoriero/Hensley, Wall Street Journal, 1/25).