

Generic Medication Prices

By David Belk MD

Summary

1. The average price of generic medications in the U.S. fell by about 12% in 2017.
2. This decline in generic medication prices is a welcome relief after several years of extreme price hikes for many of these drugs.
3. The likely cause of these price reversals was a case brought by multiple states and the U.S. Department of Justice against multiple generic pharmaceutical companies for collusion and price fixing.

The Case

In December 2016, shortly after the CEO of Mylan pharmaceuticals was dragged in front of Congress to testify about EpiPen prices, the U.S. Department of Justice and the Attorneys General of 20 separate states filed charges against multiple generic pharmaceutical companies for price fixing. So far, these charges have resulted in the firing of and later guilty pleas from two executives from Heritage pharmaceuticals, who appear to have been the ringleaders of this whole conspiracy. All other defendants in this ongoing case are still awaiting trial.

The charges brought against these pharmaceutical companies also appears to have finally brought an end to an era of extreme and very sudden hikes in the prices of generic prescription drugs. In fact, according to my research, the average price of generic prescription drugs in the U.S. actually fell significantly last year.

The Story

In March 2013 retail pharmacies throughout the U.S. received a nasty shock. Pharmacists quite unexpectedly discovered that, when they had put in their standard order for doxycycline, a very commonly prescribed generic antibiotic, they were billed more than \$4/pill instead of the long-standing price of about 6¢/pill. This happened suddenly, without any warning and for no apparent reason. So pharmacies that expected to pay \$20-\$40 for a few hundred doxycycline pills instead found they were on the hook for more than a thousand dollars.

What happened with doxycycline wasn't unique either. In 2013 and 2014 several dozen generic medications increased by more than five times in price with a few (like doxycycline) jumping fifty or more times in price in only a week. Often these price hikes occurred without warning and for no apparent reason, just as with doxycycline.

To quantify exactly what was happening, I compiled a list of 1,240 generic medications and tracked the average price pharmacies in the U.S. paid each quarter for each listing starting in October 2012 (the month the Centers for Medicare and Medicaid Services or CMS began surveying prescription drug prices).

What I found confirmed my suspicion. Multiple generic medications were skyrocketing in price each quarter, often by five or more times in price. The average rate of inflation for all of the generic listing I tracked was 55% in 2013 alone. What’s more, the astonishingly high rate of inflation wasn’t the result of all, or even most generic medications going up in price. In fact, even in 2013 nearly as many generic medications dropped in price as increased.

The reason the average rate of inflation for these medications was so high was that a few of them went up so much in price that these few extreme price hikes skewed the average for all of the other medication prices I was tracking. The following four figures show exactly what I found:

Results

In 2013 and 2014 there was an extraordinary amount of inflation in the prices of many generic prescription medications. This inflation didn’t apply to all, or even half of the generic listings surveyed but, rather, a select few medications went up in price by so much that it skewed the average prices for all of the medications each year. What’s more, overall price inflation of generic medications slowed considerably in 2015 and 2016 then fell by 12% in 2017.

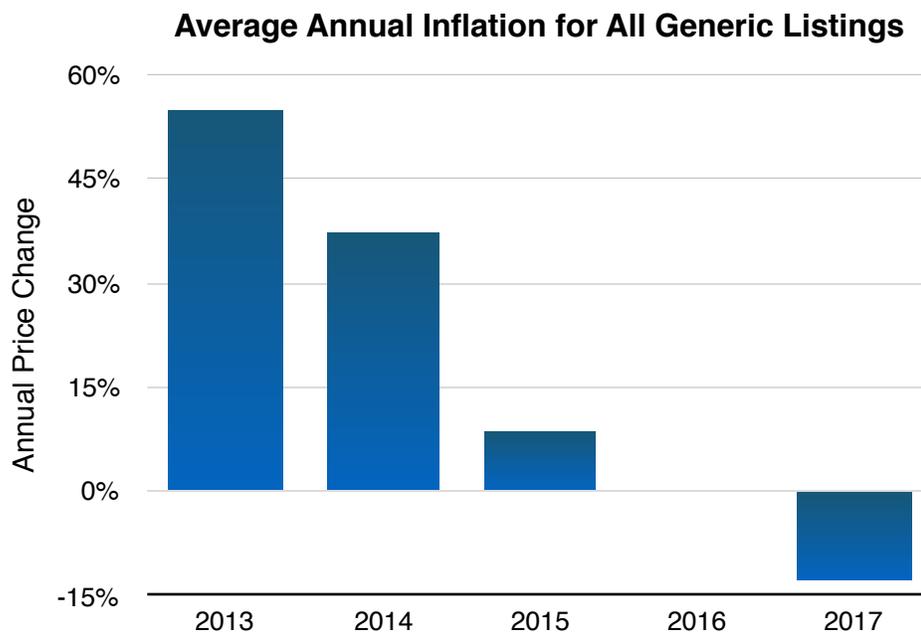


Figure 1: The average rate of inflation for all 1,240 generic listings surveyed was nearly 55% in 2013, but this rate has fallen considerably each year since. In 2016 generic prices were absolutely flat (on average) then in 2017, they fell by an average of just over 12%.

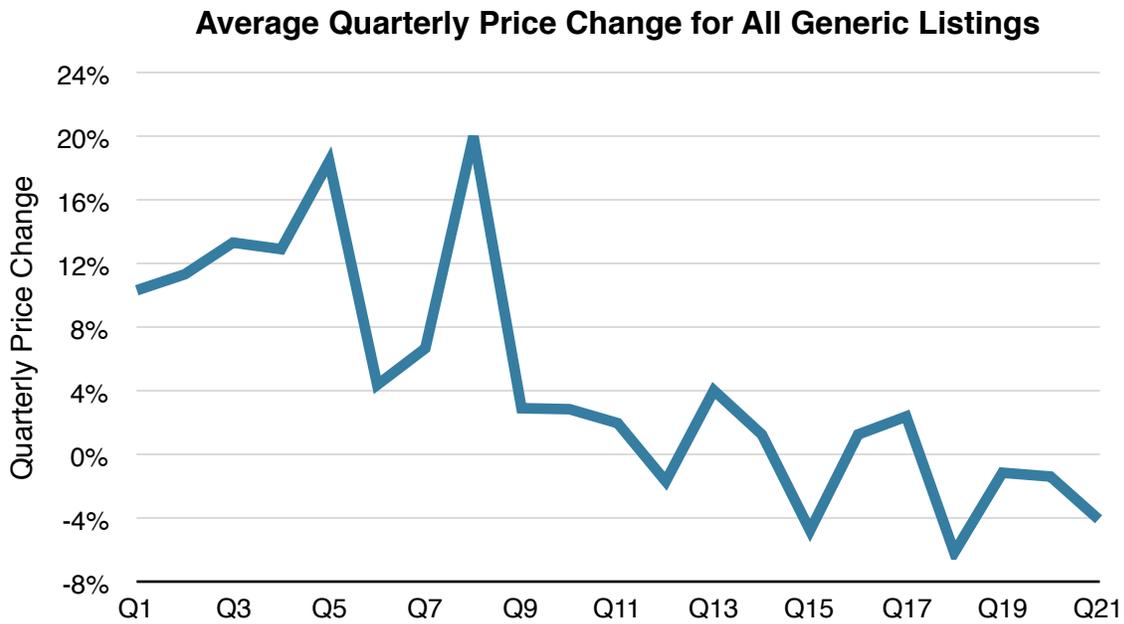


Figure 2: The average amount the prices of all generic listings went up each quarter from October 2012 until January 2016. Since then, prices have dropped on average more than they've risen.

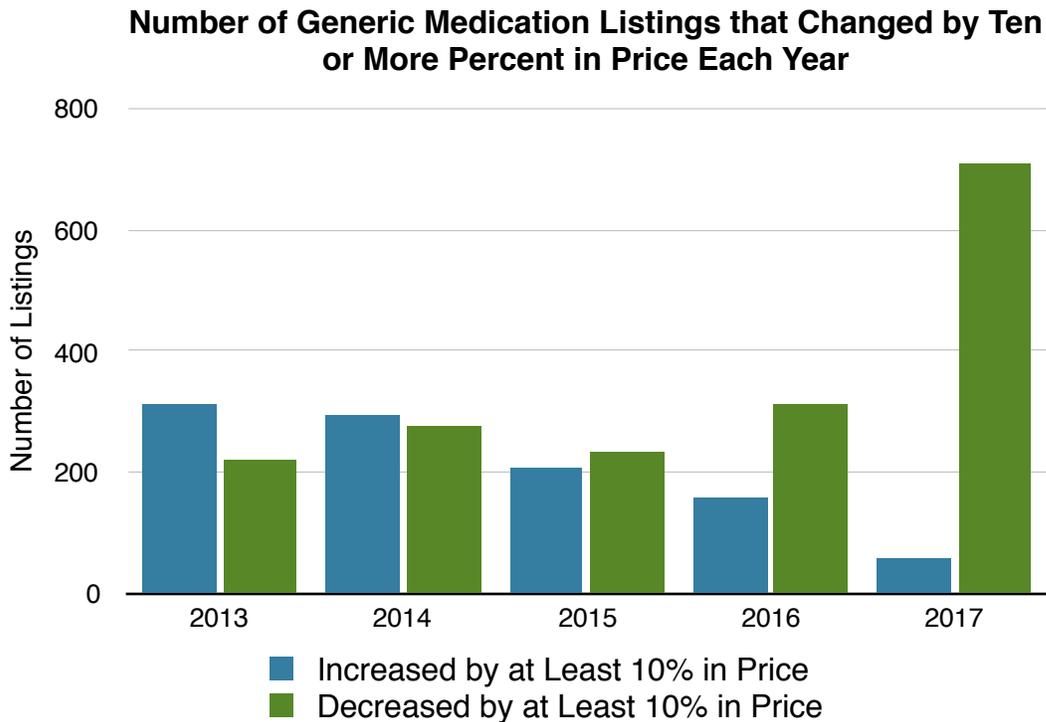


Figure 3: In 2013 and 2014 more generic medications increased by 10 or more percent in price than decreased this amount. In 2016, this trend had clearly reversed and, in 2017, over half the medications being tracked dropped by more than 10% in price while very few increased in price significantly.

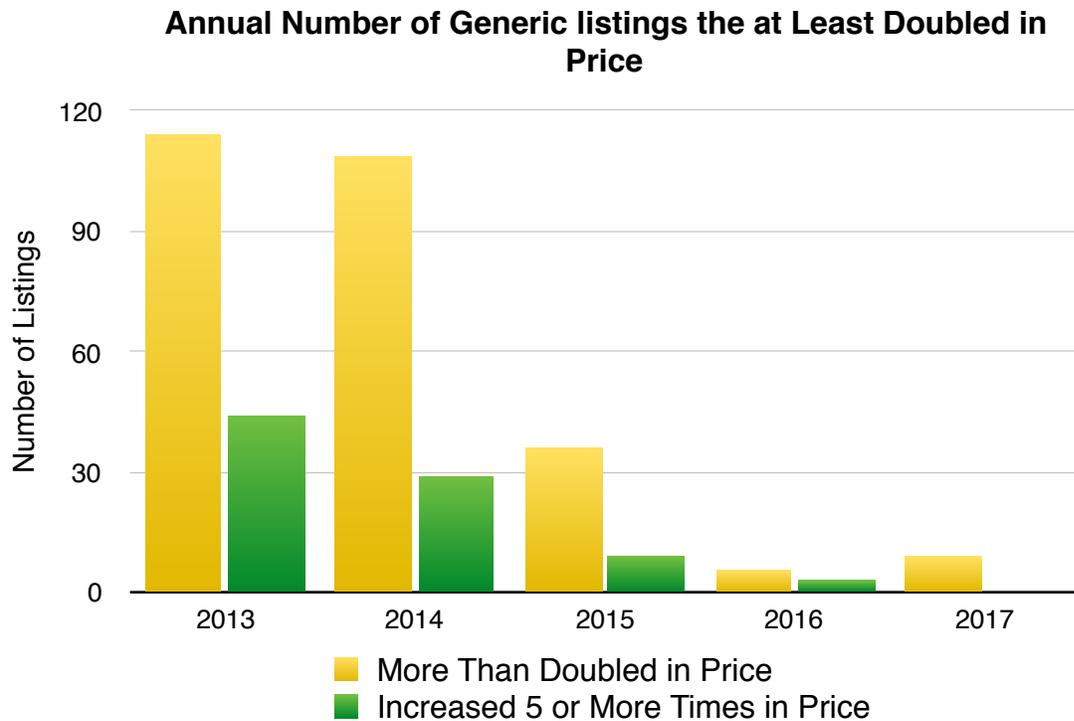


Figure 4: Fewer generic medications have skyrocketed in price each year since 2013.

Conclusion

The above figures clearly show that the era of generic drug price hikes has come to an end (at least for now). Over half of the medications in my survey (more than 700 total listings) dropped by 10% or more in price last year. It's also probably safe to assume that the charges brought against the generic pharmaceutical companies for collusion and price fixing played a major role in stopping this nonsense. A few months after the initial charges were filed, the case expanded to include 45 states as plaintiffs against 18 separate generic pharmaceutical companies.

This should be good news for consumers since about 87% of prescriptions filled in the U.S. are for generic medications. The challenge that still remains, though, is educating consumers so that they're aware of just how inexpensive these medications really are. We constantly hear about how expensive prescriptive medications are in this country, which is only true for a small proportion of these medications. Unfortunately, if people know only half the story, and aren't informed about the vast number of inexpensive medications that are prescribed each year, they'll never suspect when they're being overcharged at their pharmacy, which occurs all too often.

Sources:

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