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Alarming Rise in 2010 Prices of the 15 Best-Selling Brand Name Drugs

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LOS ANGELES — U.S. prices for brand-name drugs are rising faster than ever as patents expire on top-selling medicines and the pharmaceutical industry nervously eyes the future of healthcare reform.

Prices for the 15 best-selling drugs rose by much higher rates in 2010 than they did in each of the last five years, according to exclusive data from Thomson Reuters MarketScan, which measured the average cost of a daily dose as shown in medical claims data.

Two thirds of the drugs saw double-digit price hikes, well above inflation of 1.6 percent in 2010 measured by the consumer price index. The analysis indicates drug makers are scrambling to make as much money as possible from blockbuster drugs before their patents expire, while taking advantage of the fact that last year's healthcare reform bill did not cap drug prices.

According to MarketScan, payments for Pfizer Inc's Lipitor rose 11.4 percent last year, compared with 5 percent annually from 2005 to 2010. That meant the cost of a daily dose of the cholesterol drug rose from \$3.17 at the end of 2009 to \$3.53 at the end of 2010. Lipitor, which will soon lose patent protection, had 2010 global sales of \$10.7 billion.

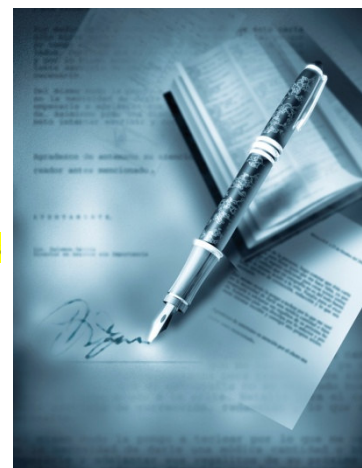
Drugs with price rises in the mid teens included: cholesterol drug Crestor made by AstraZeneca Inc; blood-clot preventer Plavix sold by Bristol Myers Squibb Co and Sanofi-Aventis; and asthma treatment Singulair, from Merck & Co.

AstraZeneca's antipsychotic drug Seroquel topped the list with a 16.5 percent price jump, according to MarketScan data, which is particularly telling since it comes from actual payments by insurers, rather than manufacturer list prices.

Insurers often get a discount on the list price -- but the fact that they are paying more for drugs is likely to push up the premiums they charge at a time when healthcare costs are already rising much faster than inflation.

"The price escalation is truly incredible," said Judy Cahill executive director the Academy of Managed Care Pharmacy, a pharmacy trade group. She said that since drugs generally make up about 10 percent of medical spending, they are often not a top priority for cost-cutting.

IMS Health estimates that \$25.4 billion in U.S. drug sales are at risk of generic competition this year as patents expire on iconic brands like Lipitor and Plavix. Another \$26.1 billion in sales -- about 9 percent of the \$300 billion market -- will lose patent protection next year.



"Because of the increased number of drugs going generic, they profit more from the brand drugs on the market by increasing prices," said Nancy Stalker, vice president for pharmacy services at health plan Blue Shield of California.

Everett Neville, vice president of pharma strategy at Express Scripts Inc, which manages drug benefit programs for health insurers and employers, said drugmakers typically raise prices for drugs as they approach patent expiration, but "what we have seen over the last few years are bigger increases for products that are early or mid-way in their patent cycle."

Drug manufacturers have an exclusive right to sell new products for up to 20 years from the date of a U.S. patent filing. Once the patent expires, a number of generic copycats typically enter the market, driving down prices.

IMS estimates that the U.S. healthcare system will reap at least \$70 billion in savings over the next four years as brand-name medicines are replaced by lower-cost generics.

But until there is a generic competitor, there is very little pushback on the U.S. price of a brand-name drug.

"There are hundreds of (health insurance) plans, so each of them individually does not have a whole lot of price leverage," said Joshua Cohen, professor at the Tufts Center for the Study of Drug Development in Boston.

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