



"Medicare Part D at Age Five: What Has Happened to Seniors' Prescription Drug Prices?"

In 2005, the Medicare Trustees estimated that federal and beneficiary payments for the Medicare Part D program would total \$108.1 billion in 2009; in 2010 the Medicare Trustees reported that actual 2009 costs were \$60.5 billion, 44% less than originally projected.

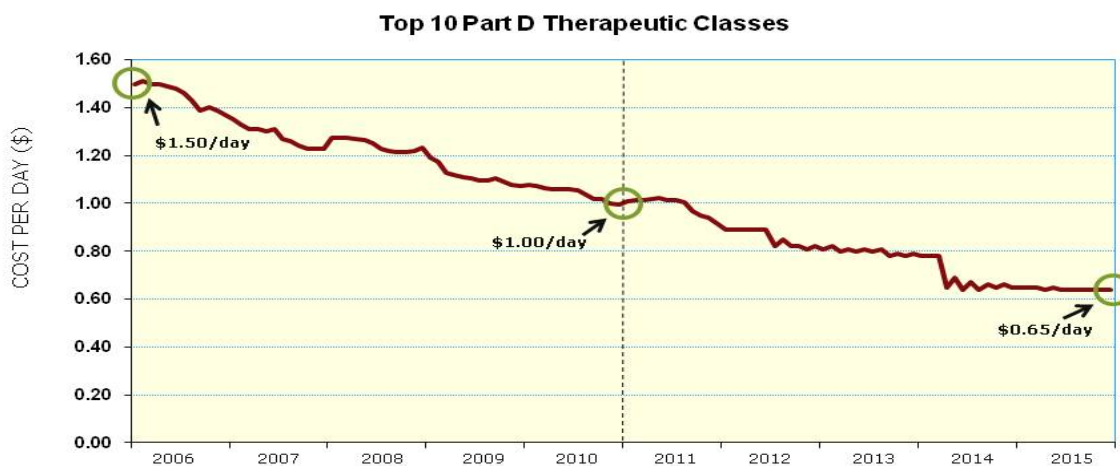
A new report from the IMS Institute for Healthcare Informatics, "Medicare Part D at Age Five: What Has Happened to Seniors' Prescription Drug Prices?" explores one of the key reasons that the actual costs of the Part D program remain lower than expected. Focusing on changes in the cost of therapy for the classes of medicines most commonly used by Part D beneficiaries, the report finds that the average daily cost of therapy has fallen since 2006, driven by rapid substitution of newly available generic drugs in a competitive Part D market in which prescription drug plans pass along the resultant savings to beneficiaries.

The report shows that average daily costs of therapy for eight of the top ten therapeutic classes in Part D have fallen on a sustained basis between 2006 and 2010. Specifically, between January 2006 and December 2010, the average daily cost of therapy in the ten classes identified in the report declined by more than a third, from \$1.50 to \$1.00.

With further expirations of patent protection expected over the next several years, the IMS Institute projects that the average daily cost of therapy in these classes will continue its sustained decline, reaching \$0.65 by the end of 2015. This represents a cumulative -57% change since January 2006.

The "big picture" pattern of sustained declines in the cost of therapy reflects the nature of biopharmaceutical markets. According to the report, R&D investments produce medical advances and over time these investments "make way for generic copies available to patients at low costs for many years." Prescription drug plans compete to maximize these savings, resulting in lower costs to beneficiaries and the federal government.

The Big Picture: Sustained Declines in Average Daily Cost of Therapy between January 2006 and December 2015



Source: IMS Institute for Healthcare Informatics; National Sales Perspectives; National Prescription Audit, Dec 2010