

2010 Part D Symposium



Drug Prices from Community and LTC Pharmacies in the Part D Program

Acumen LLC
March 18, 2010



Motivating Questions

- ◆ How much do drug prices vary across community pharmacies? Across LTC pharmacies?
- ◆ To what extent do drug prices differ for community and LTC pharmacies?
- ◆ Do these differentials differ across various types of drugs?
- ◆ Have these price differences changed over time?
- ◆ How large are regional differences in drug prices?



Outline

- ◆ Structure of price index for drugs
- ◆ Characteristics of community and LTC market baskets
- ◆ Differences in price growth across community and LTC pharmacies
- ◆ Price differentials in drugs across community and LTC pharmacies
- ◆ Regional differences in drug prices across community and LTC pharmacies



Calculating Price Indices for Drugs

$$P_{index}^s = \sum_{i=1}^n W_{mi} \times p_{ri}^s$$

- ◆ p_{ri}^s : Statistic “s” of price distribution for drug “i” paid for reference group “r”
- ◆ W_{mi} : Share of product “i” in market basket “m”
- ◆ Chain-weighting methods used to compute W_{mi}

Variants of Price Indices

- ◆ Configurations of market baskets designed to uncover price differentials across pharmacy types for various concepts of drug products
- ◆ Recognize different prices for the same drug
 - ◆ “Low” price = 10th percentile of price distribution
 - ◆ “Typical” price = 50th percentile = median
 - ◆ “High” price = 90th percentile

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Distribution of Drug Claims and Expenditures across Community and LTC Beneficiaries in 2008

Number of Beneficiaries with Claims (1,000s)	Number of Claims Per Capita				Expenditures Per Capita				
	Average	Percentiles			Average	Percentiles			
		10th	50th	90th		10th	50th	90th	99th
Full Year Community With At Least 1 Claim									
24,240	39	6	30	84	\$2,528	\$146	\$1,478	\$5,538	\$18,521
Full Year LTC With At Least 1 Claim*									
850	82	17	74	154	\$4,520	\$481	\$3,439	\$9,610	\$20,524

*Excludes 205,845 Partial Year LTC Beneficiaries with Claims



Two Classifications of Market Baskets

- ◆ Measuring composition of utilization by pharmacy types
 - Community pharmacies
 - LTC (Long Term Care) pharmacies
- ◆ Two definitions of drug products
 - National Drug Code (NDC)
 - Pharmaceutically-equivalent product (PEP)
- ◆ Baskets include drugs with at least 25 claims in both Community and LTC baskets in each month



Effects of Monthly Claim Requirement on Compositions of Market Baskets

2008 Population	# and % of Claims (millions)	Level and % of Expenditures (millions)	# and % of NDCs	# and % of PEPs
All Community PDEs	878	\$56,437	392,499	72,215
NDCs with at Least 25 Claims in Each Month	91.8%	90.0%	21.1%	--
PEPs with at Least 25 Claims in Each Month	99.1%	95.6%	--	38.1%
All LTC PDEs	112	\$6,701	230,438	51,272
NDCs with at Least 25 Claims in Each Month	95.3%	94.3%	35.9%	--
PEPs with at Least 25 Claims in Each Month	99.6%	99.0%	--	53.7%

Top 10 Drugs Comprising Each Basket

	2008 Community			2008 LTC		
	Drug Name	Total Gross Drug Cost (millions)	Share of Total Drug Cost (%)	Drug Name	Total Gross Drug Cost (millions)	Share of Total Drug Cost (%)
1	LIPITOR	\$2,231	3.75	ARICEPT	\$254	6.86
2	PLAVIX	\$2,047	3.44	SEROQUEL	\$173	4.68
3	NEXIUM	\$1,366	2.30	ZYPREXA	\$151	4.08
4	SEROQUEL	\$1,152	1.94	NAMENDA	\$145	3.91
5	ADVAIR DISKUS	\$1,078	1.81	PLAVIX	\$97	2.63
6	ZYPREXA	\$987	1.66	RISPERDAL	\$88	2.38
7	ACTOS	\$966	1.62	ABILIFY	\$73	1.96
8	ARICEPT	\$915	1.54	LEXAPRO	\$70	1.91
9	PREVACID	\$840	1.41	OMEPRAZOLE	\$61	1.65
10	ABILIFY	\$700	1.18	FENTANYL	\$57	1.54



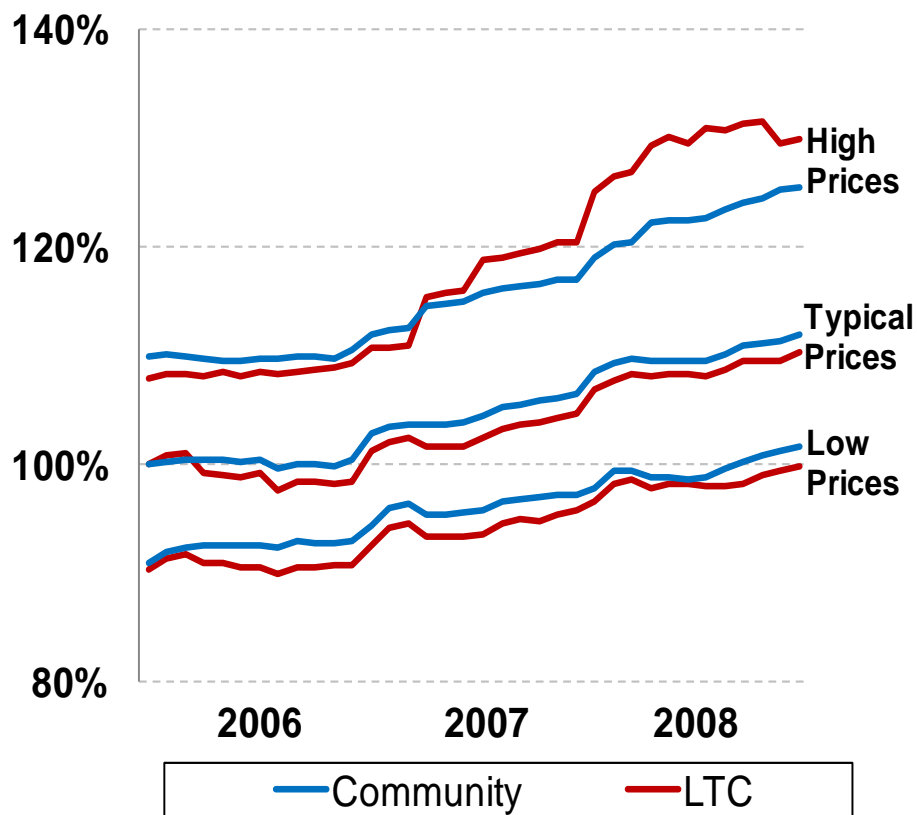
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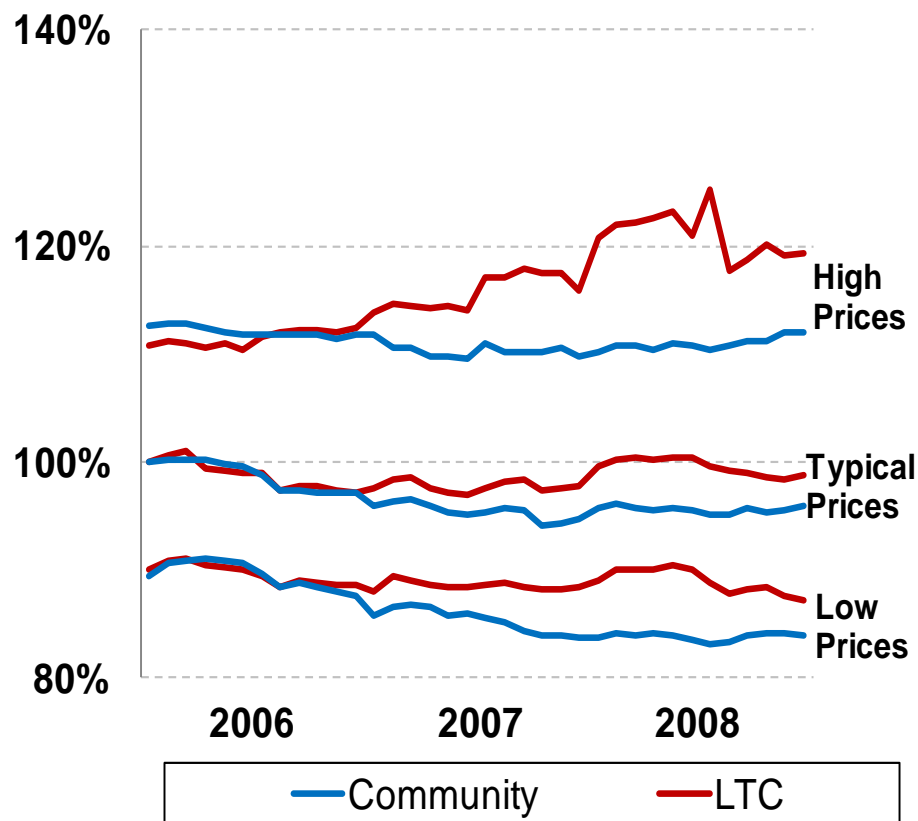


What is the difference in the growth of prices between community and LTC Pharmacies during 2006-08?

NDC Basket



PEP Basket



Summary of Price Growth Findings

- ◆ For NDC basket, typical prices grew 10-12% over 2006-08 for both community and LTC pharmacies
- ◆ For PEP basket, typical prices fell 4% for community pharmacies, and 1% for LTC pharmacies
- ◆ For NDC basket, growth in high prices for LTC pharmacies exceeded those of community pharmacies by 6 % pts
- ◆ For PEP basket, high prices for LTC pharmacies grew 8% and fell 1% for community pharmacies



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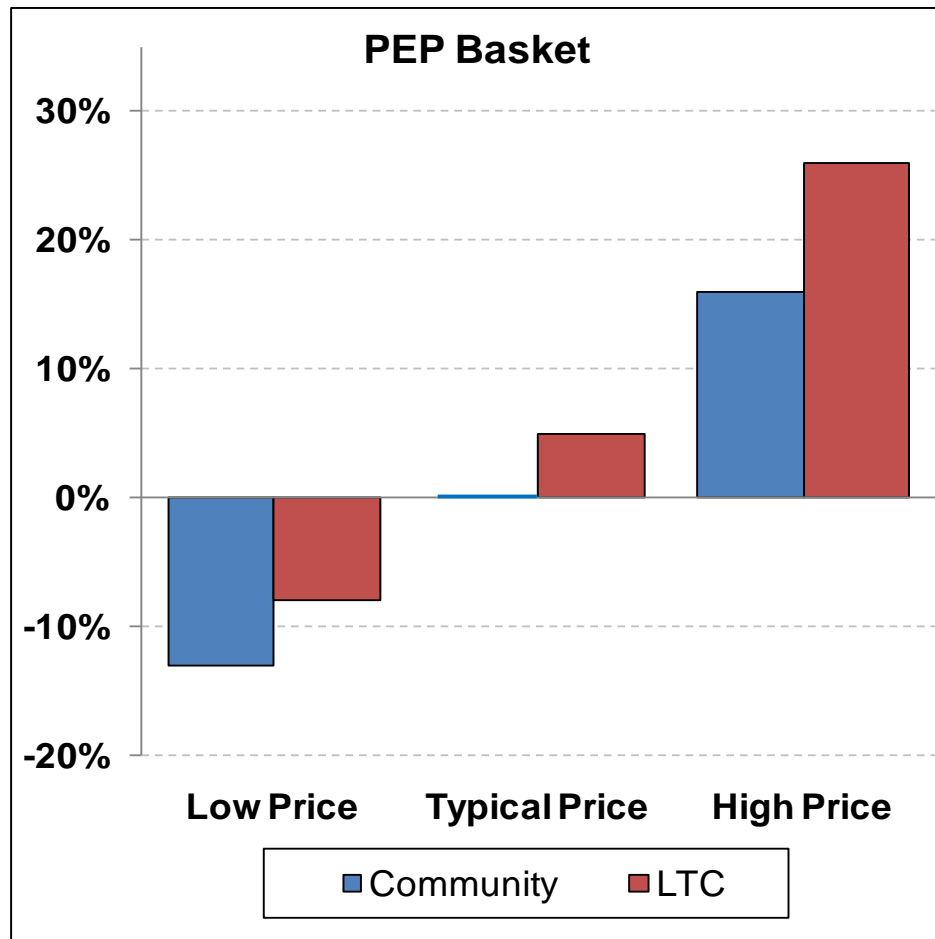
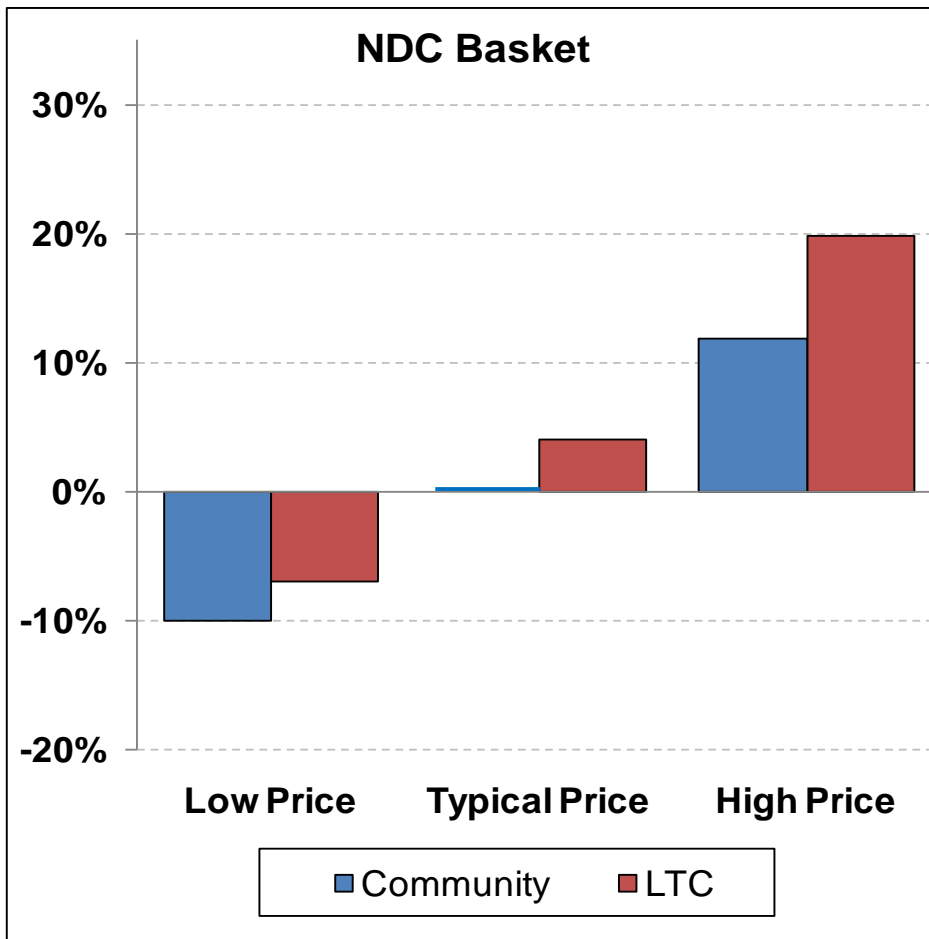


Upcoming Comparisons

- ◆ Differentials calculated for August 2008, not different for other months in 2008
- ◆ Results very similar for both basket compositions; so, only present findings using community basket
- ◆ Price differentials measured relative to typical community price for ingredients
- ◆ Compare price differentials:
 - Across low, typical and high prices
 - For PDP and MAPD plans
 - For LIS, brand, and generic claims
 - For 6 class of protected of drugs

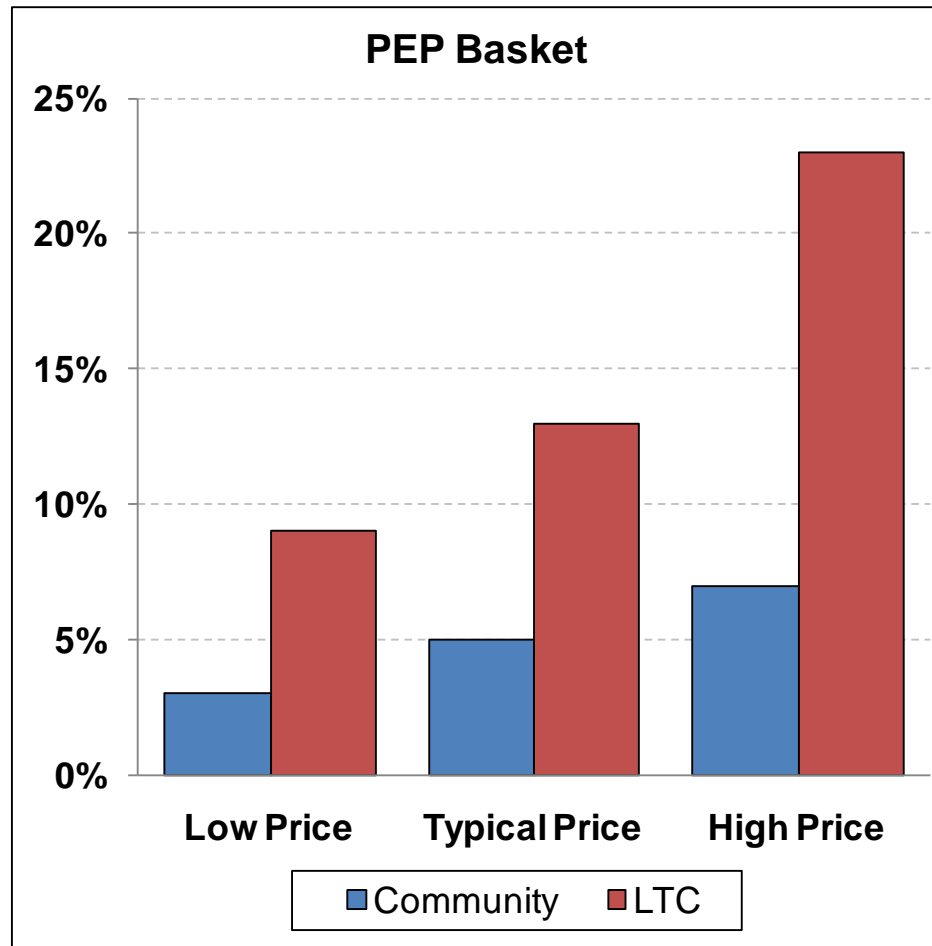
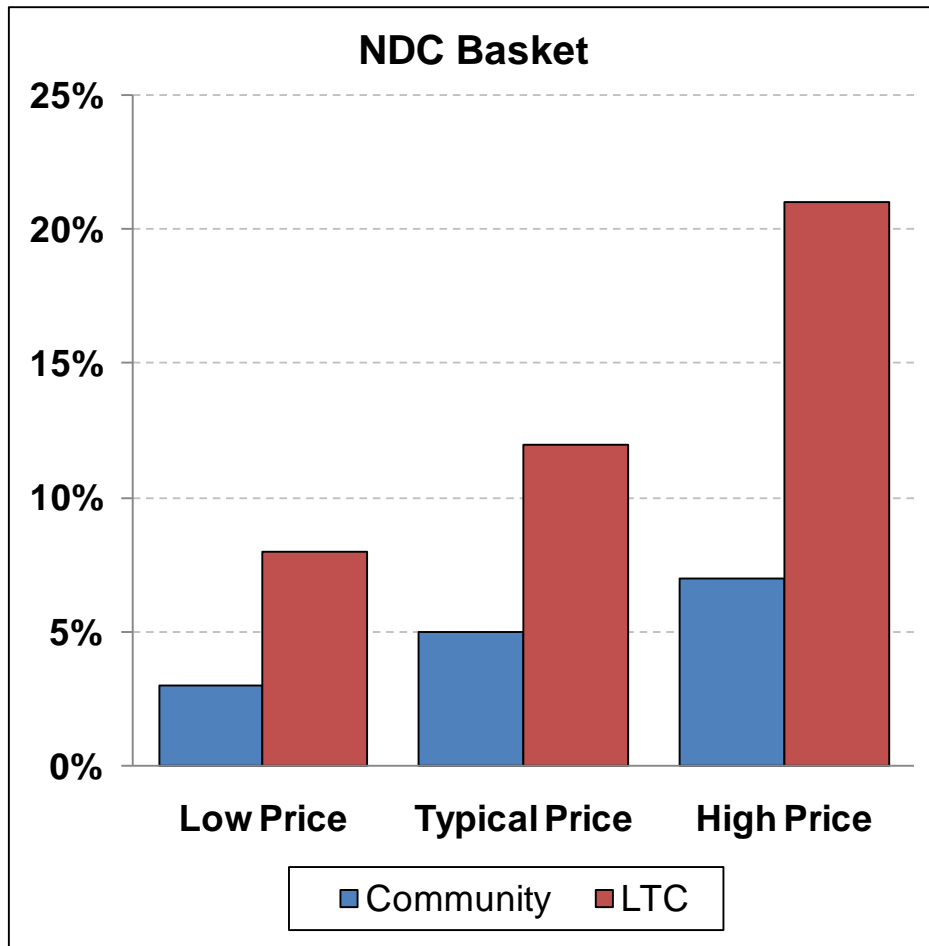


What are the price differentials between community and LTC pharmacies across all drugs?



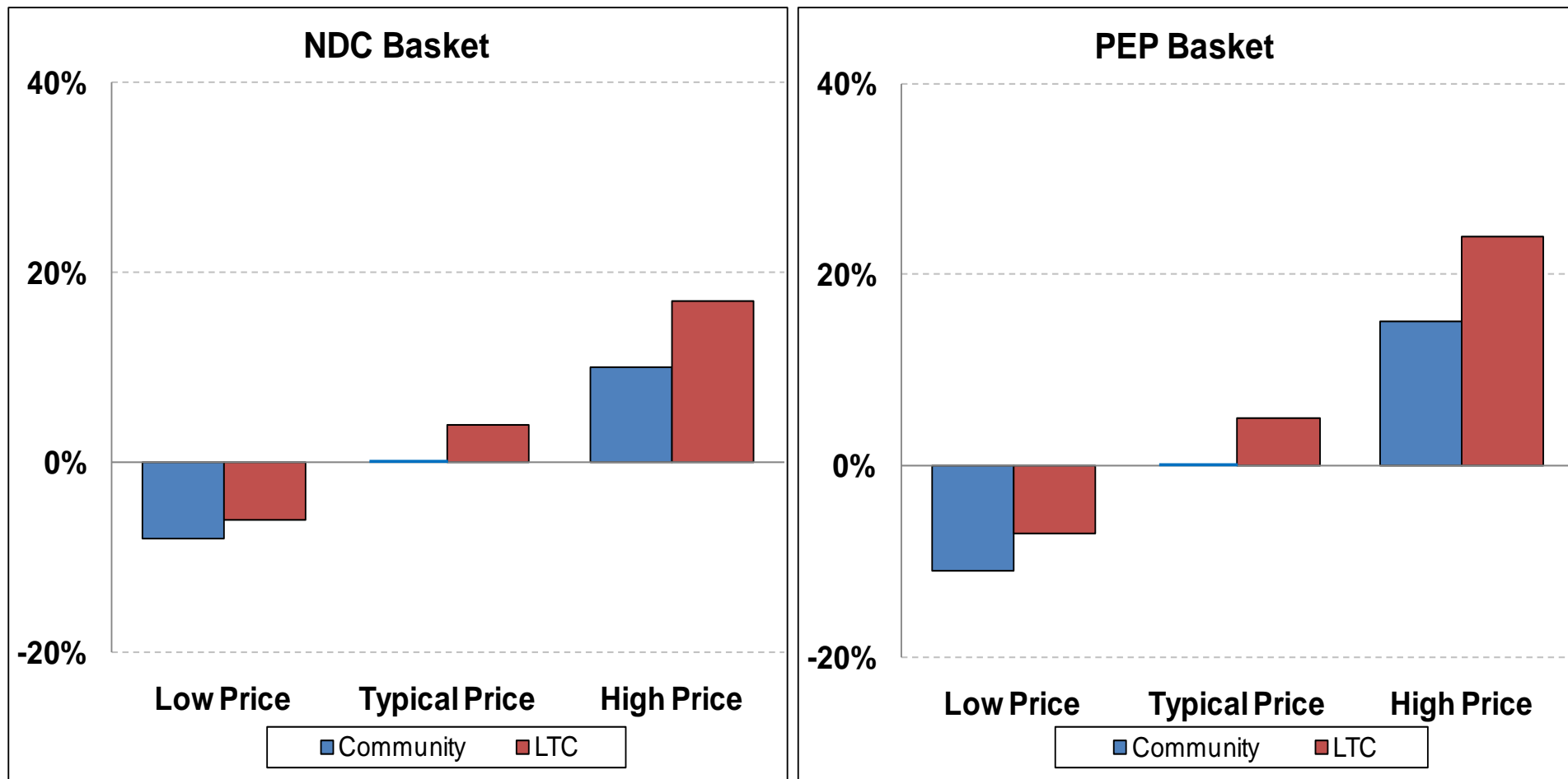
August 2008 Data

What is the contribution of dispensing fees to price differentials for community and LTC pharmacies?



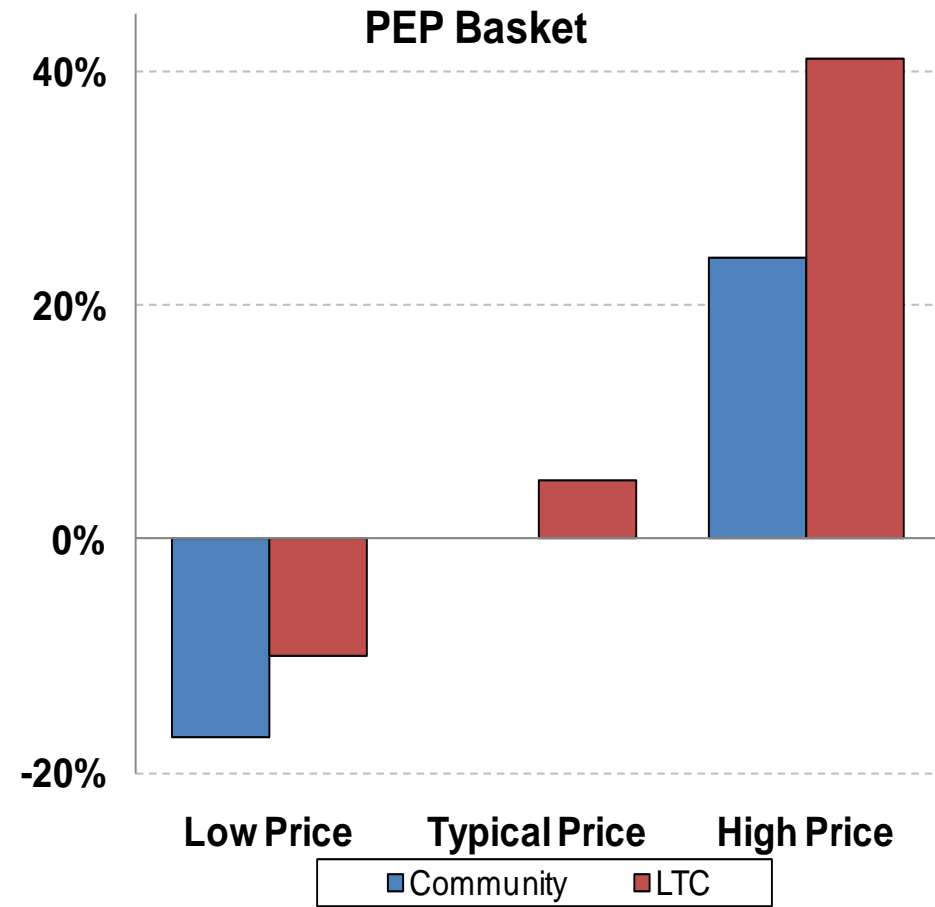
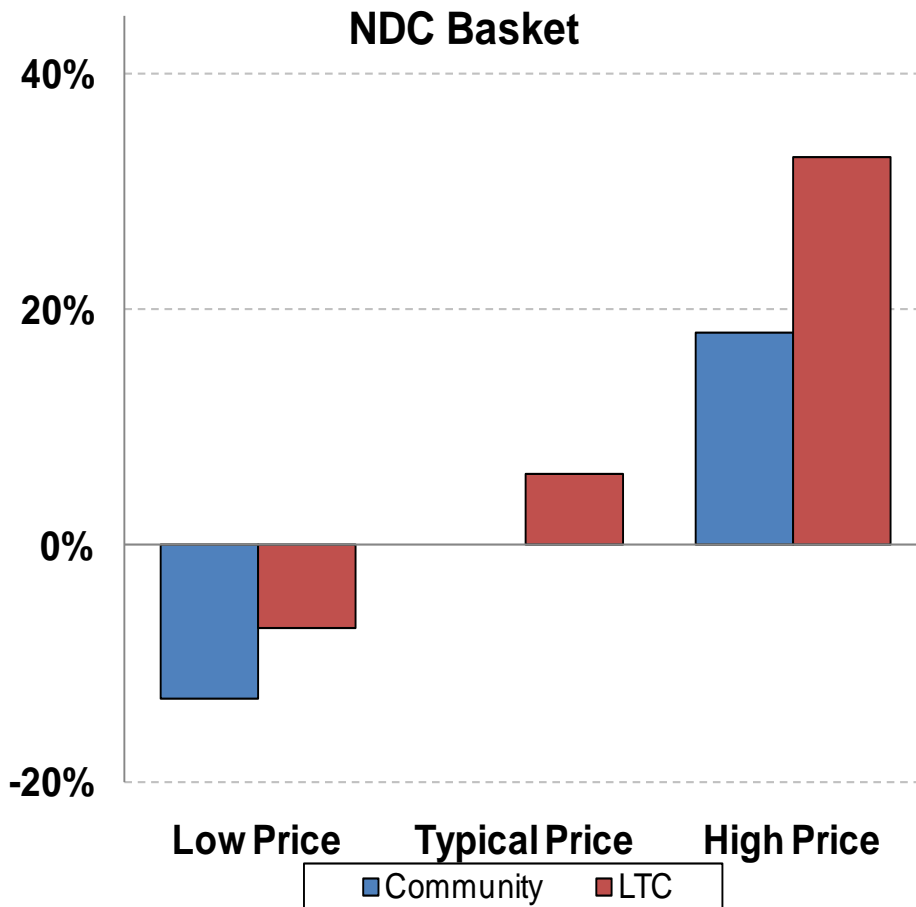
August 2008 Data

What are the price differentials between community and LTC pharmacies across PDP claims?



August 2008 Data

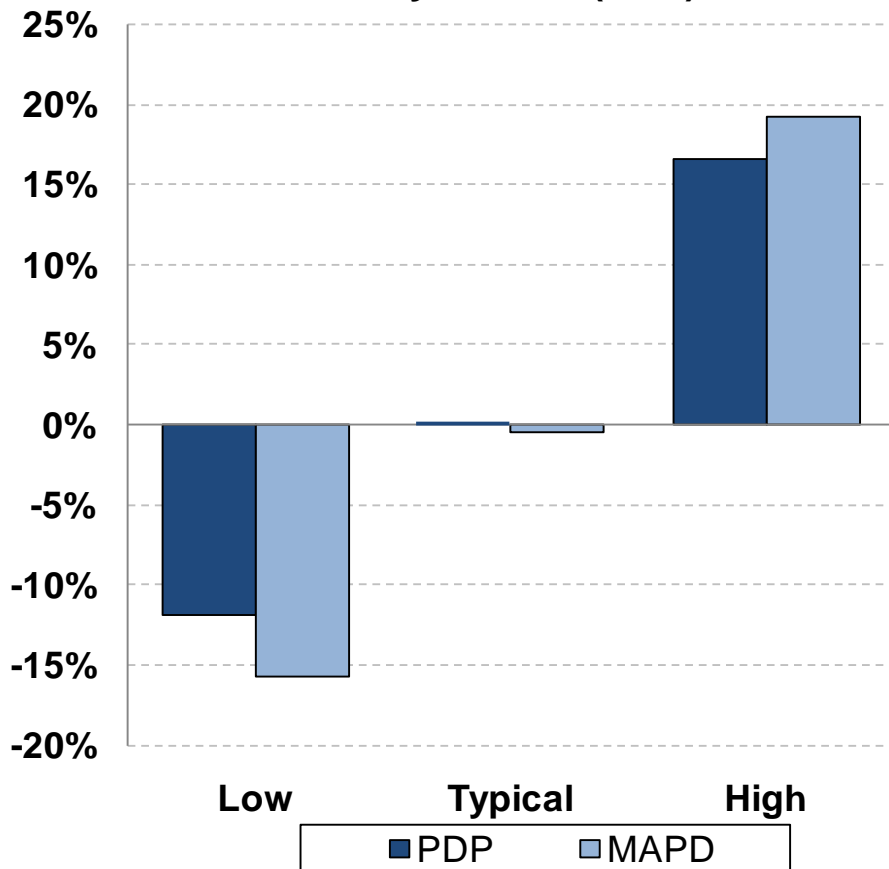
What are the price differentials between community and LTC pharmacies across MAPD claims?



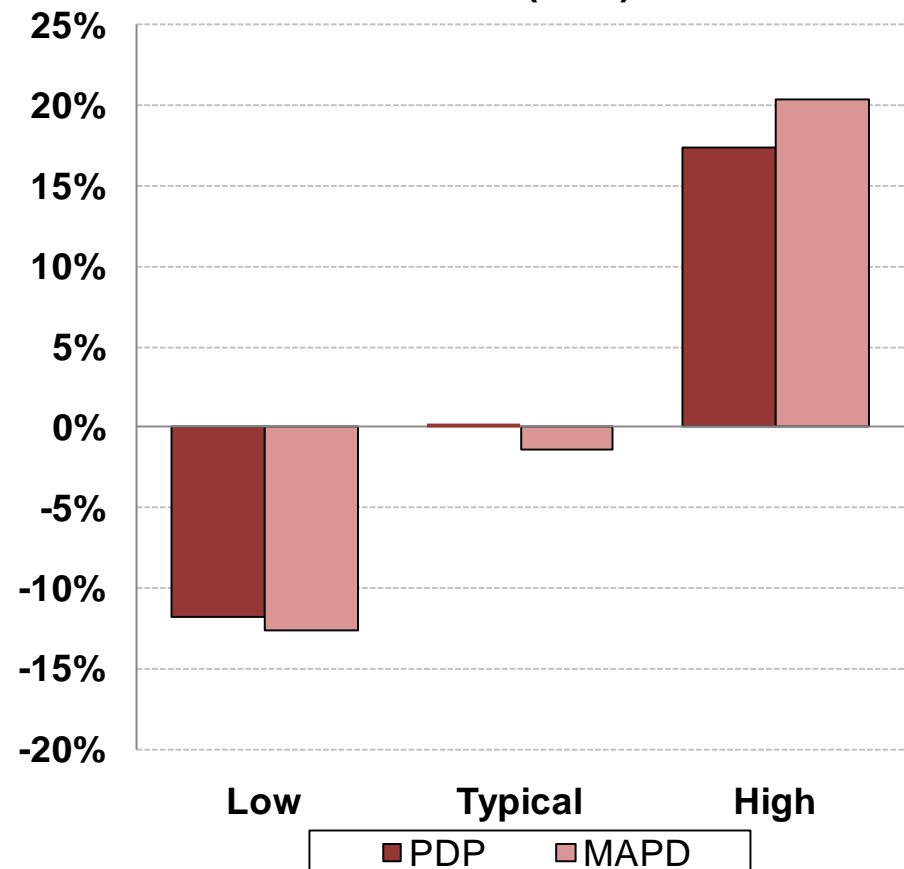
August 2008 Data

What are the price differentials between PDP and MAPD claims?

Community Basket (PEP)



LTC Basket (PEP)

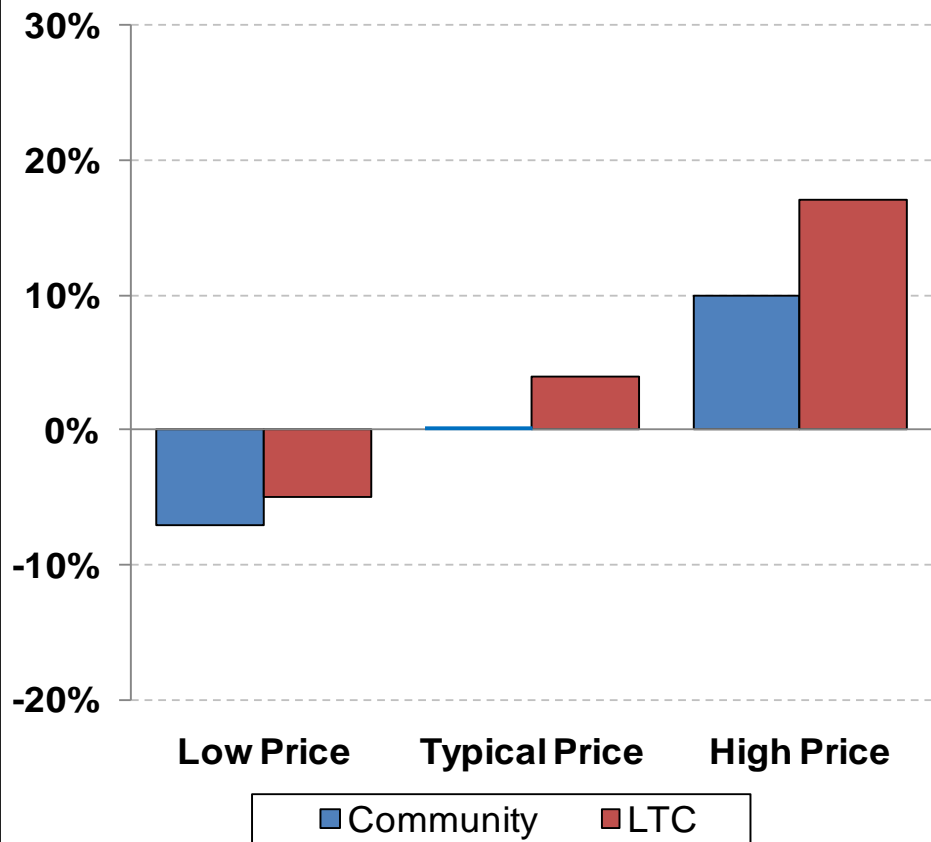


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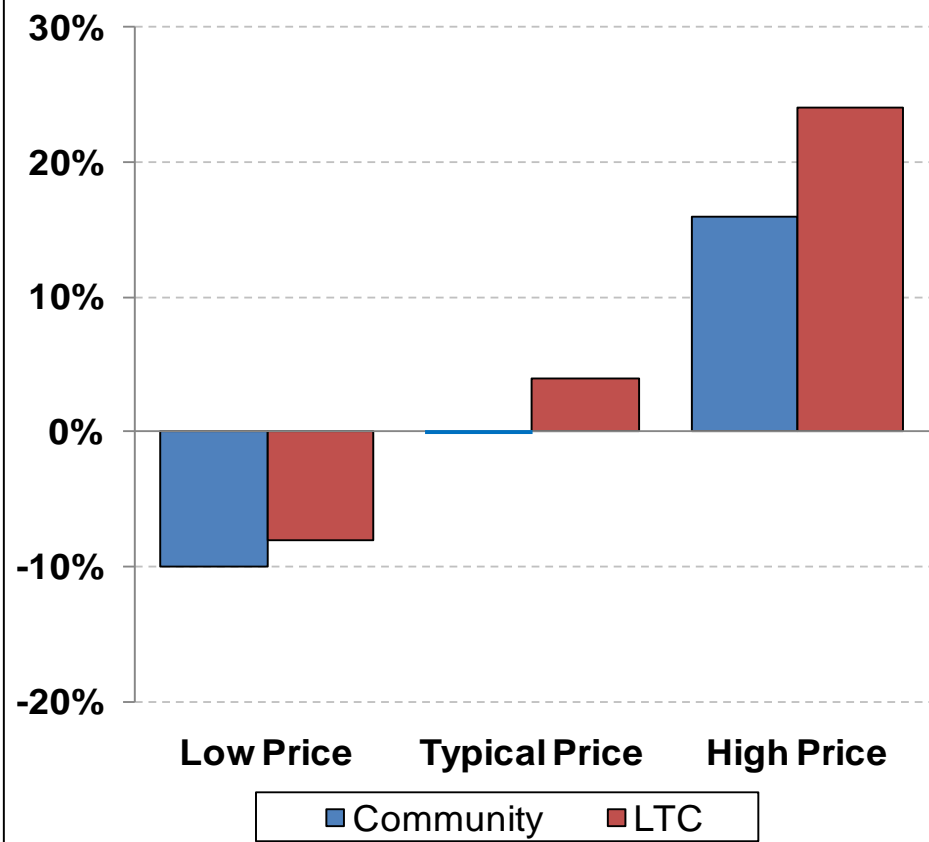


What are the price differentials between community and LTC pharmacies across LIS claims?

NDC Basket



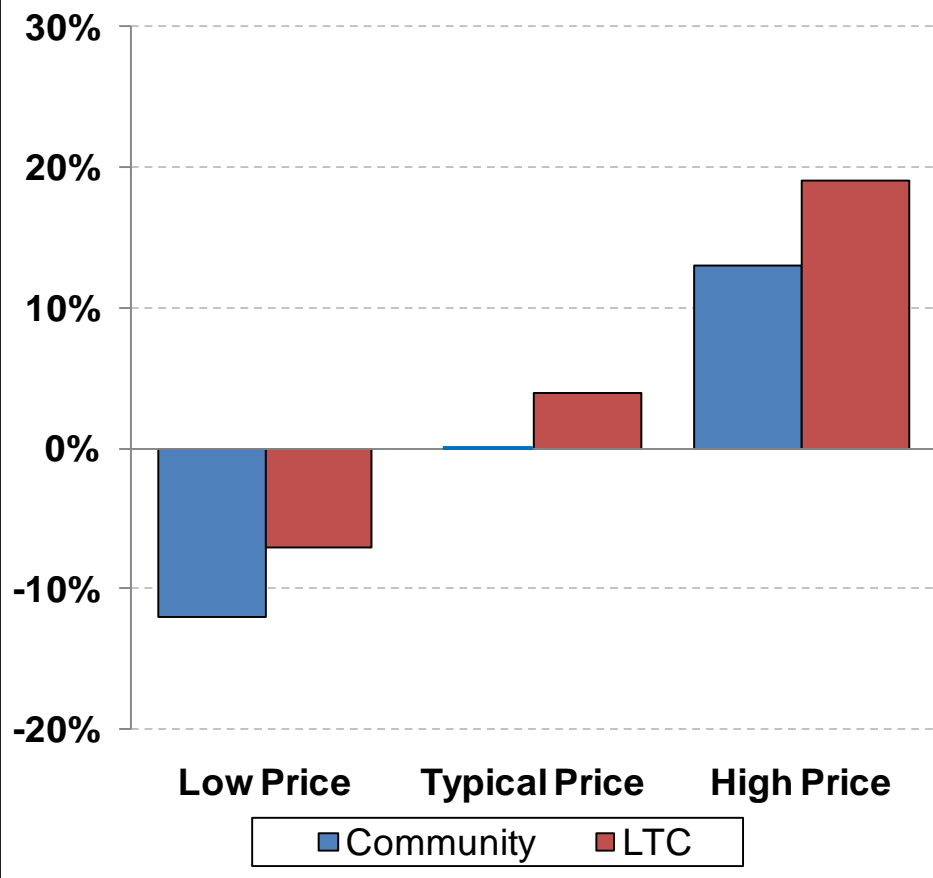
PEP Basket



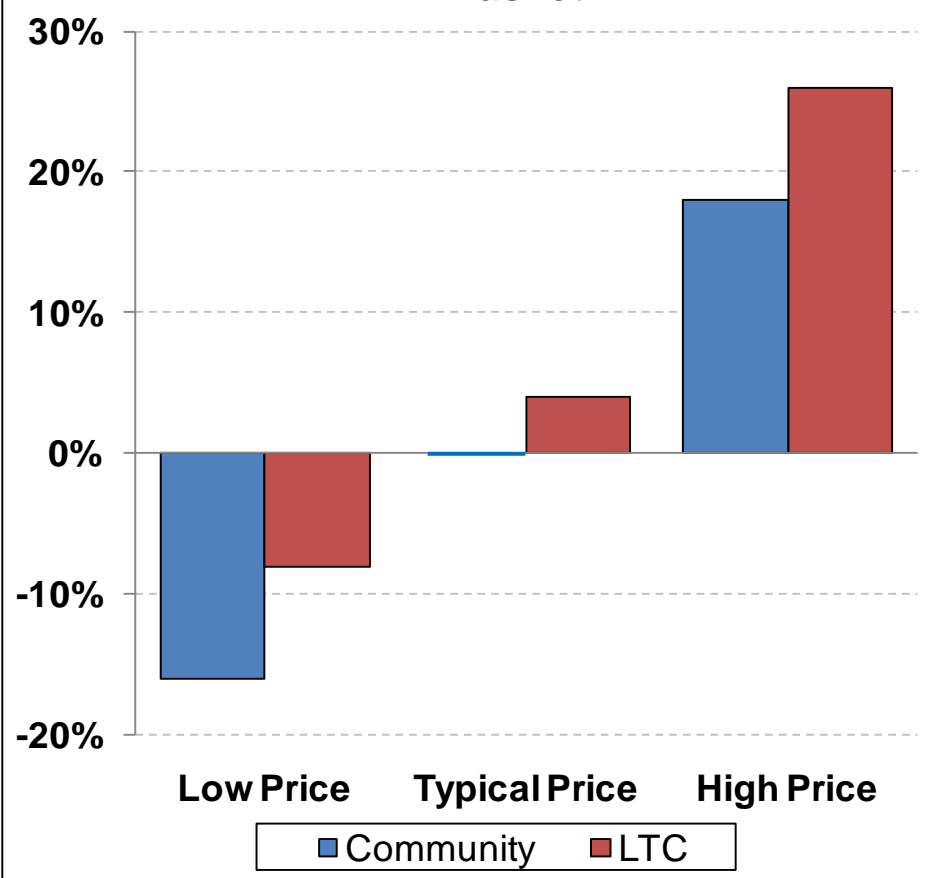
August 2008 Data

What are the price differentials between community and LTC pharmacies across non-LIS claims?

NDC Basket



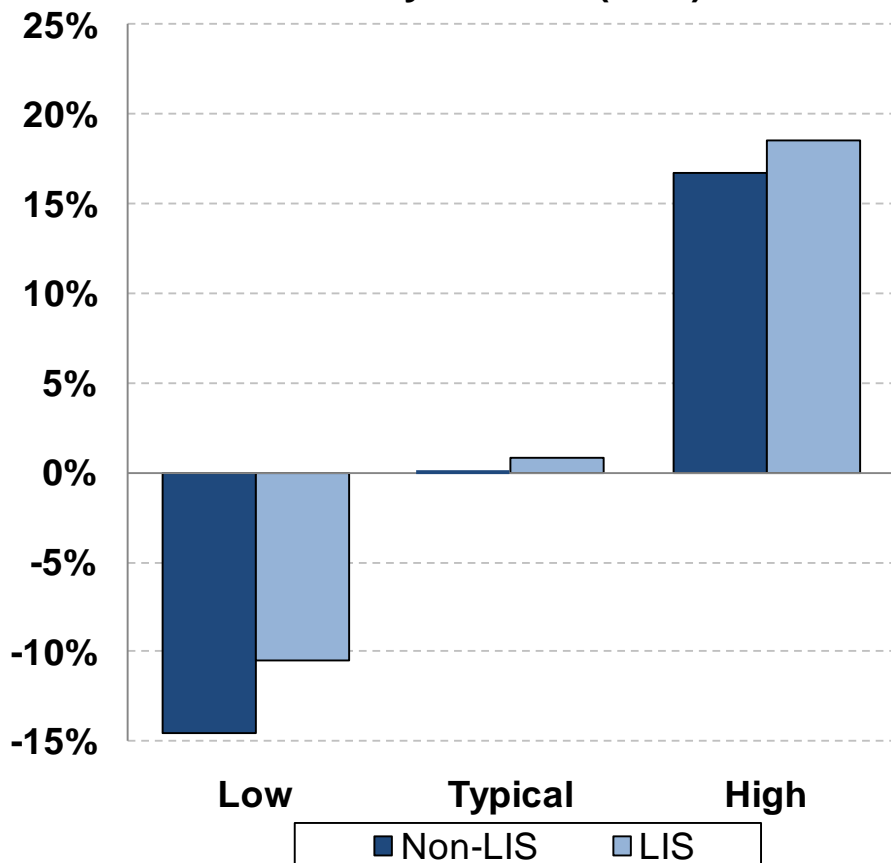
PEP Basket



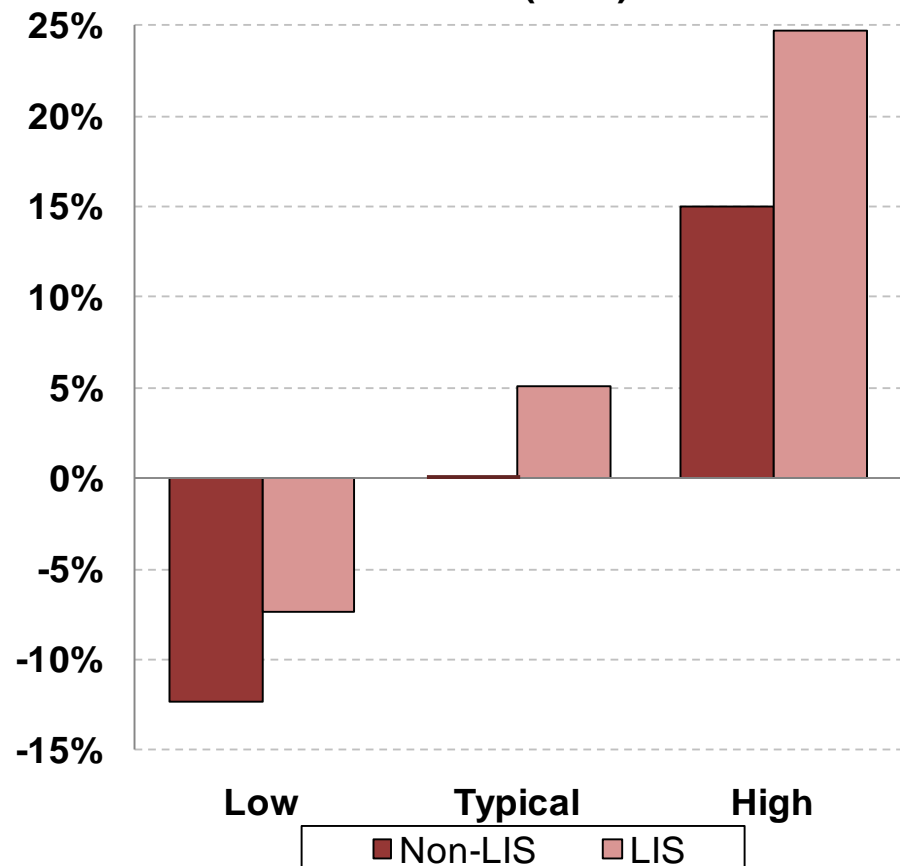
August 2008 Data

What are the price differentials between LIS and non-LIS claims?

Community Basket (PEP)



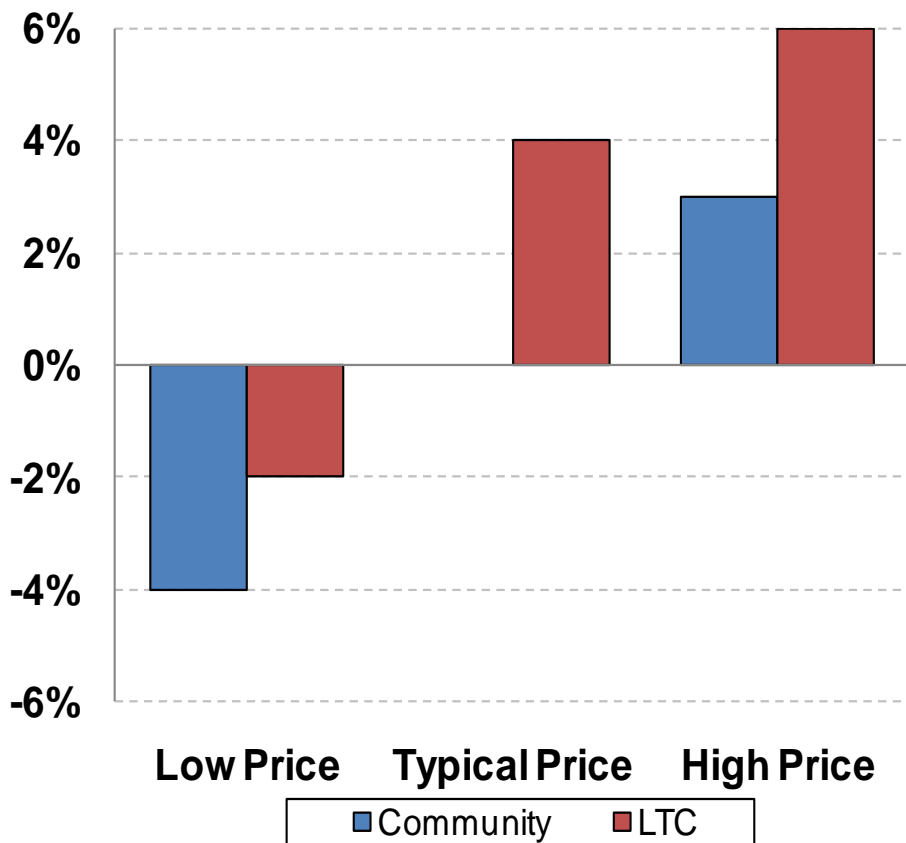
LTC Basket (PEP)



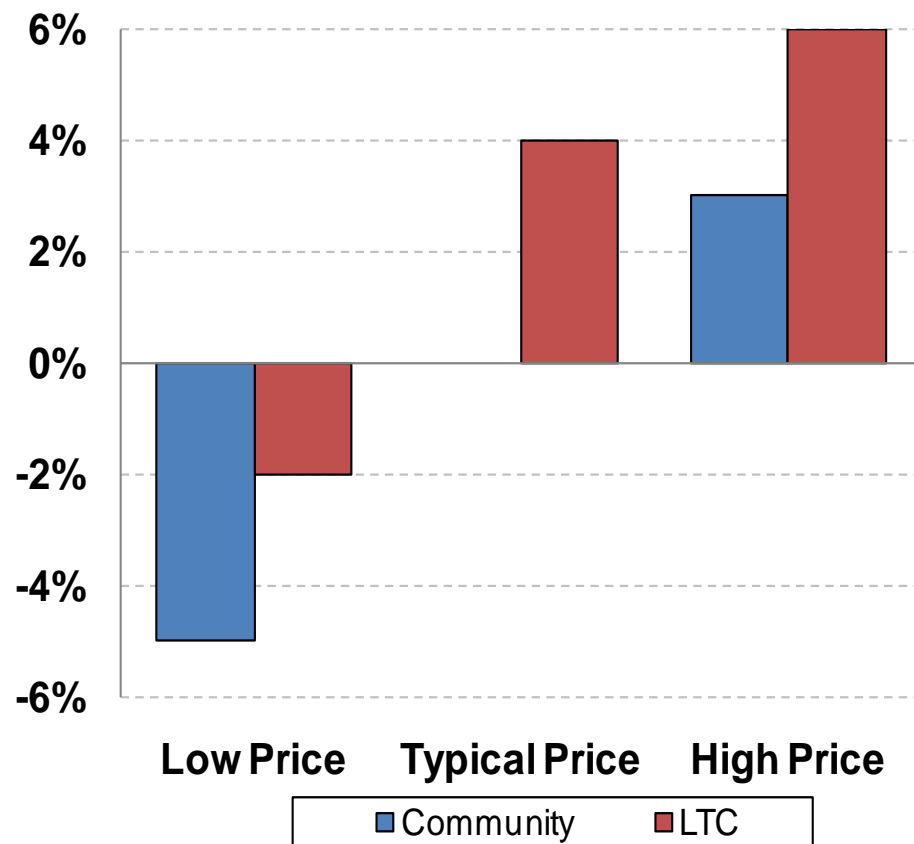
August 2008 Data

What are the price differentials between community and LTC pharmacies across brand drugs?

NDC Basket



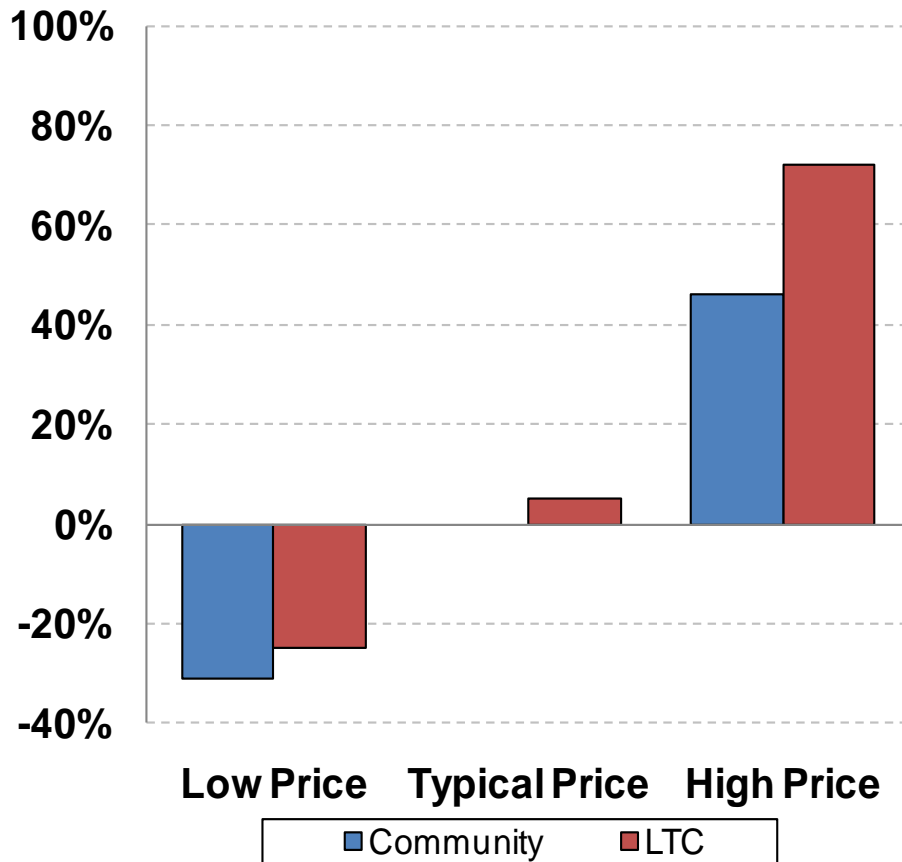
PEP Basket



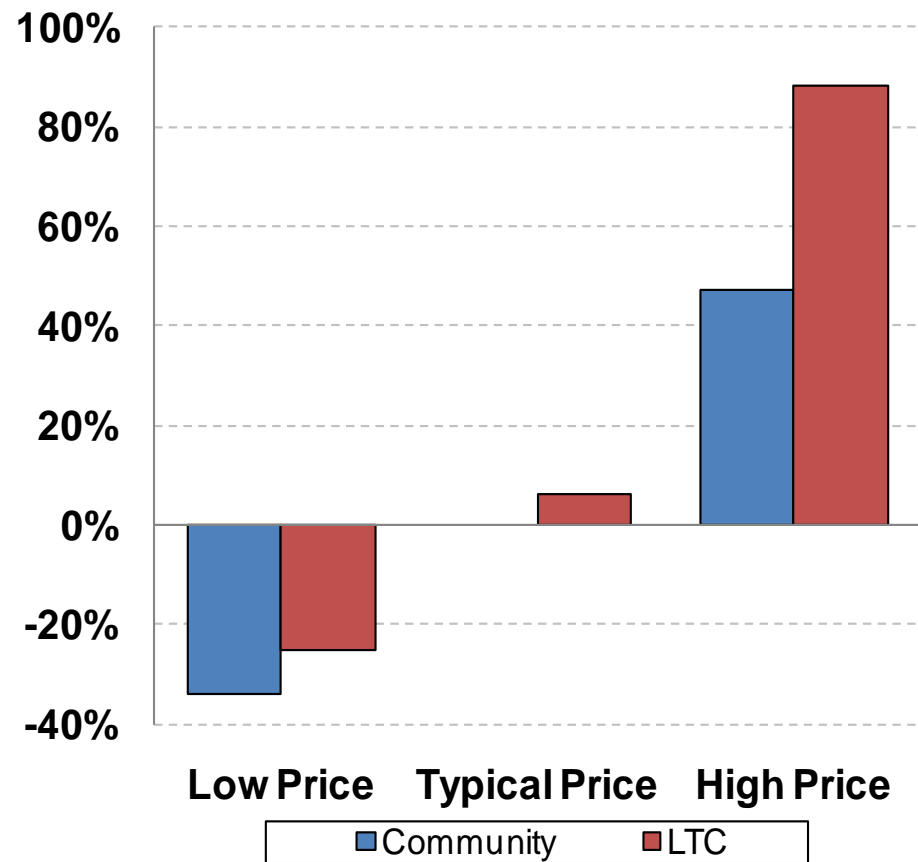
August 2008 Data

What are the price differentials between community and LTC pharmacies across generic drugs?

NDC Basket



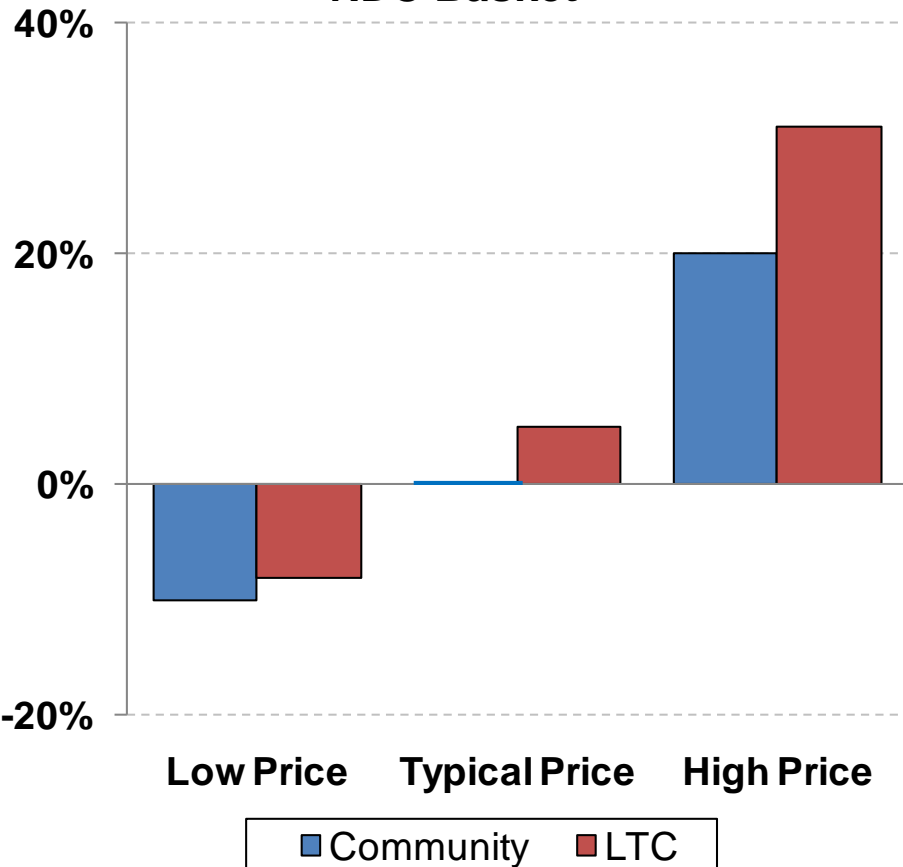
PEP Basket



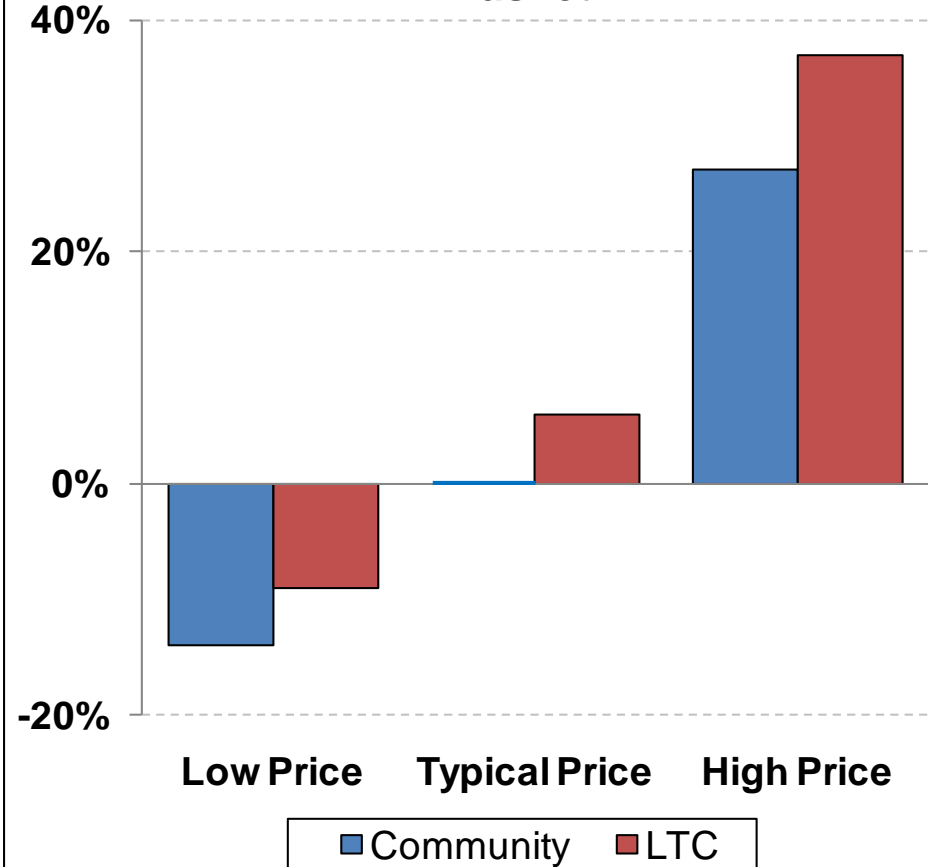
August 2008 Data

What are the price differentials between community and LTC pharmacies among antidepressants?

NDC Basket

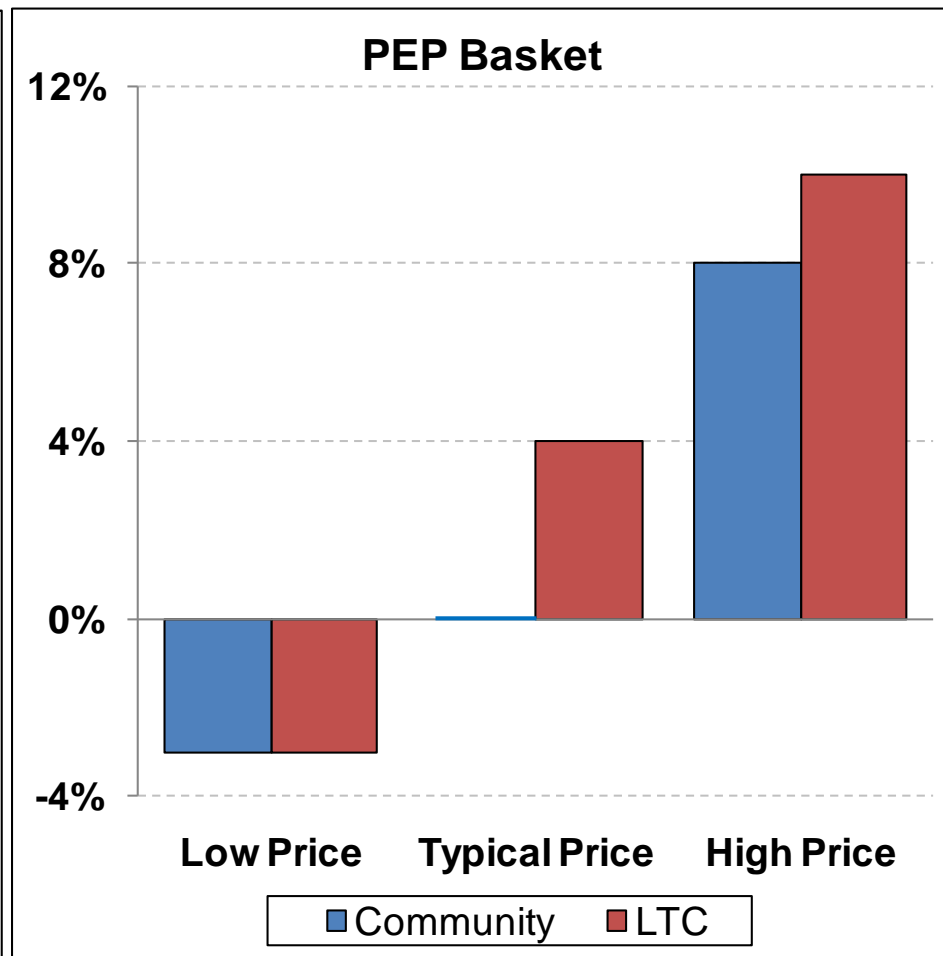
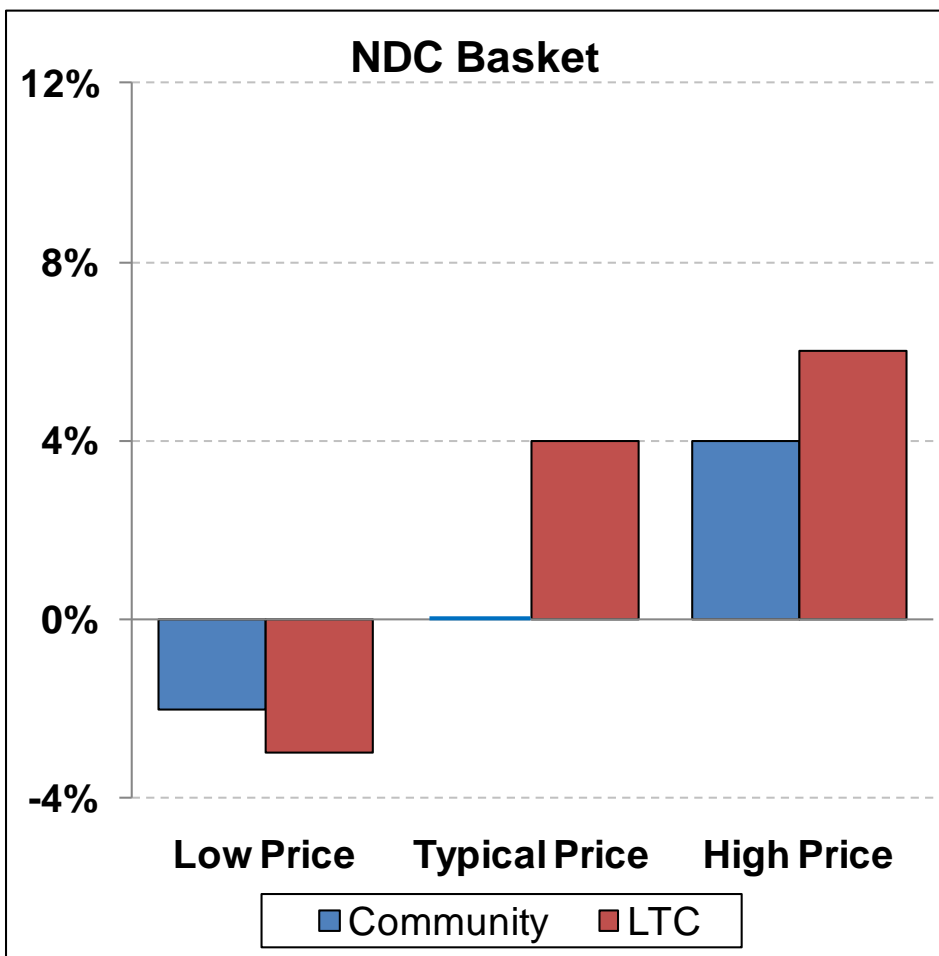


PEP Basket



August 2008 Data

What are the price differentials between community and LTC pharmacies among antipsychotics?

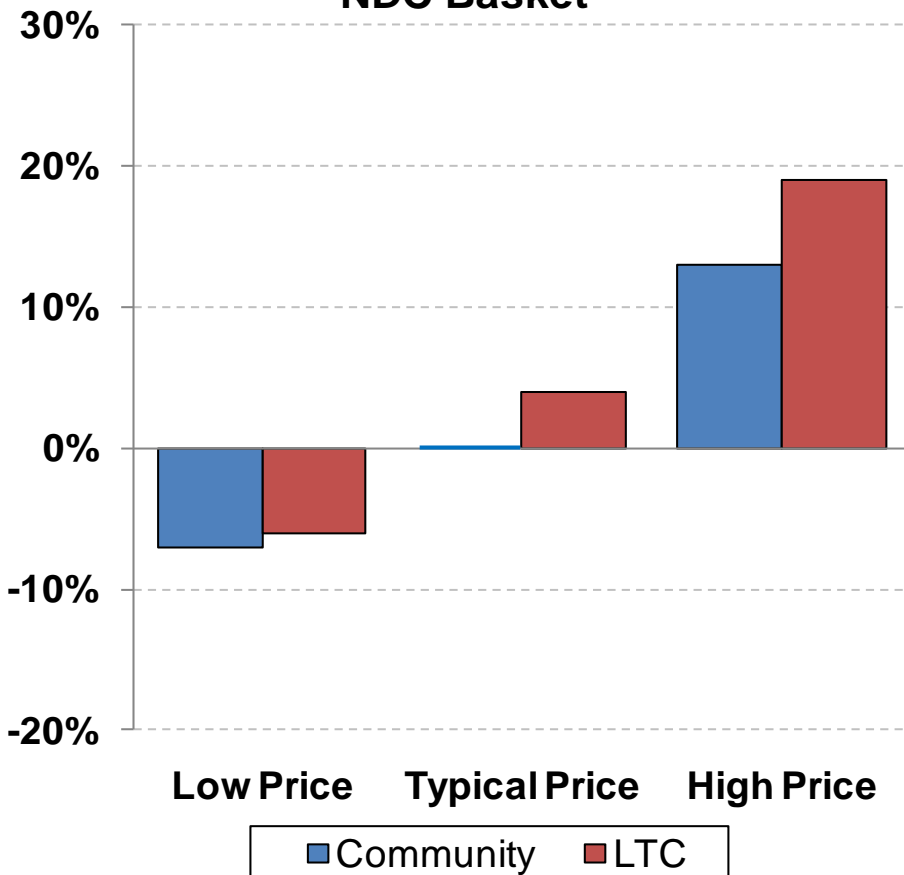


August 2008 Data



What are the price differentials between community and LTC pharmacies among anticonvulsants?

NDC Basket

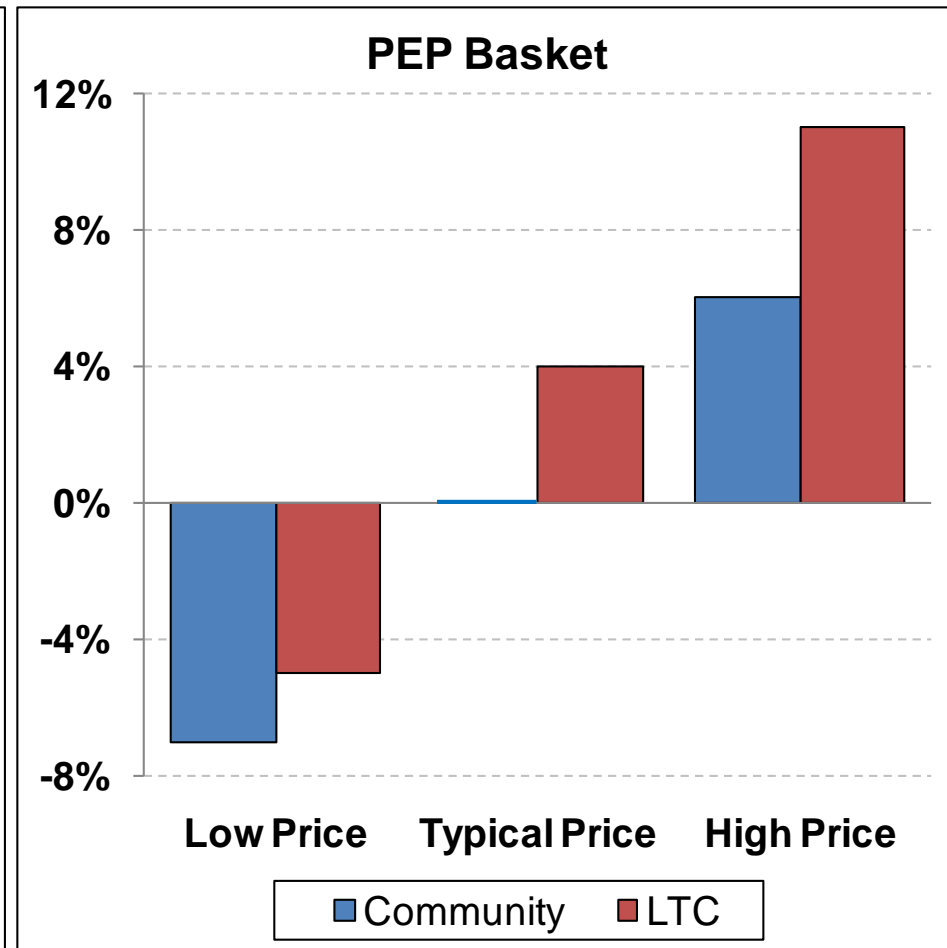
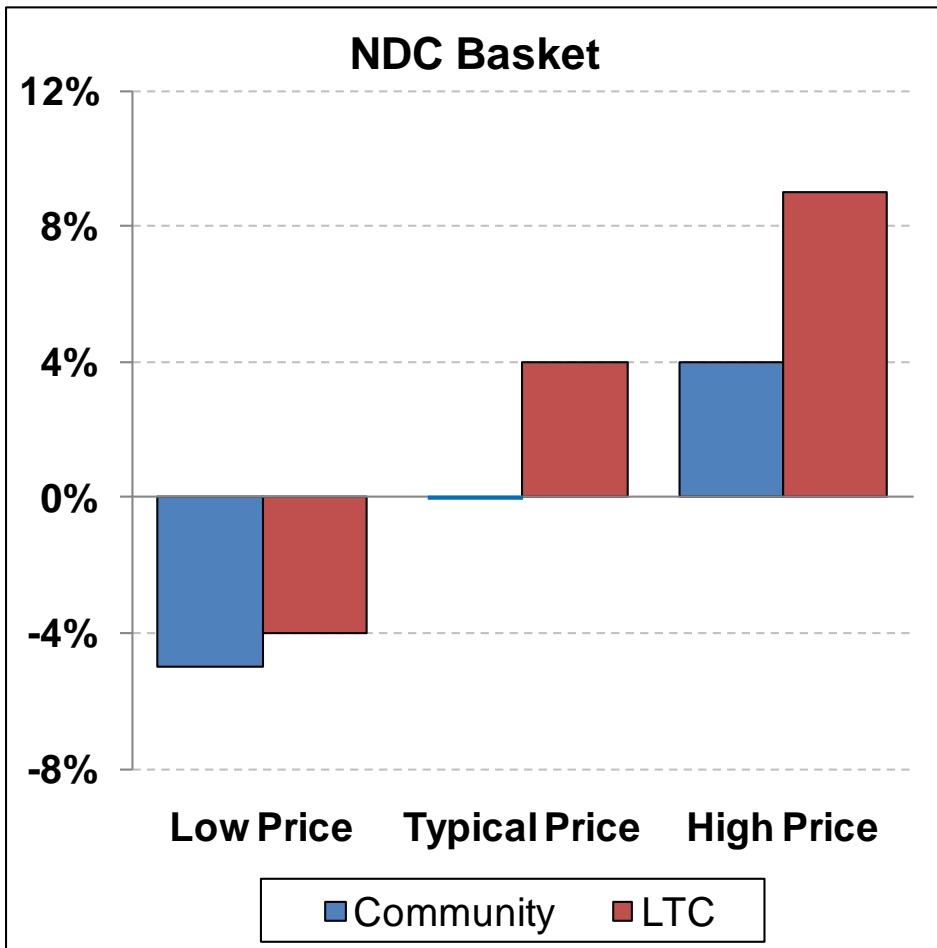


PEP Basket



August 2008 Data

What are the price differentials between community and LTC pharmacies among immunosuppressants?

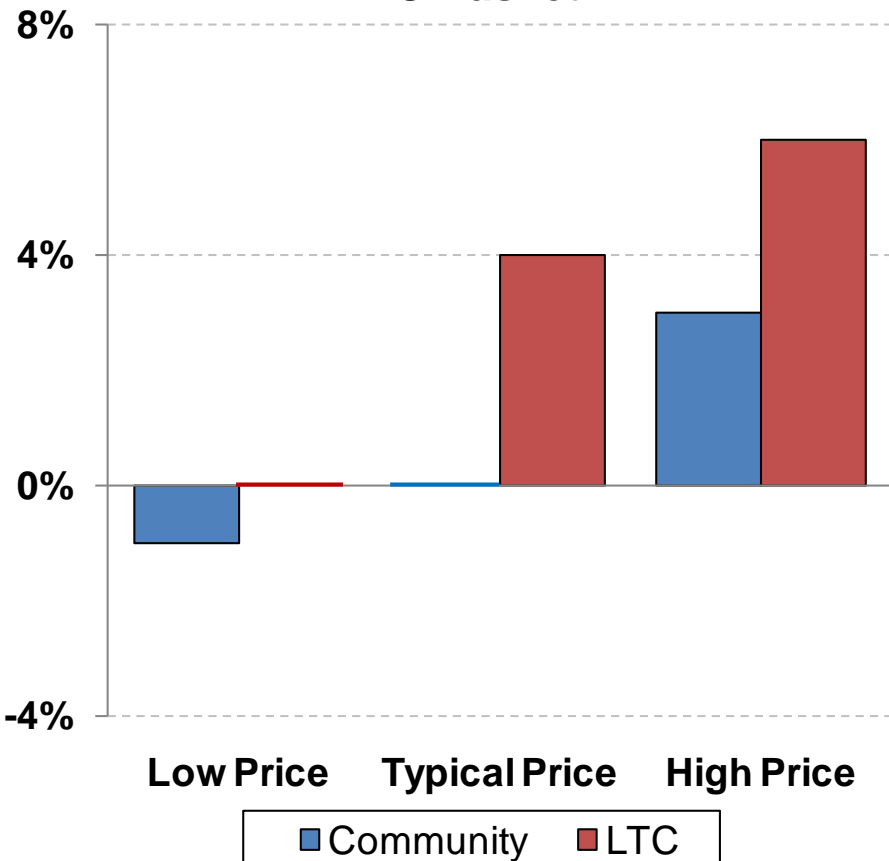


August 2008 Data

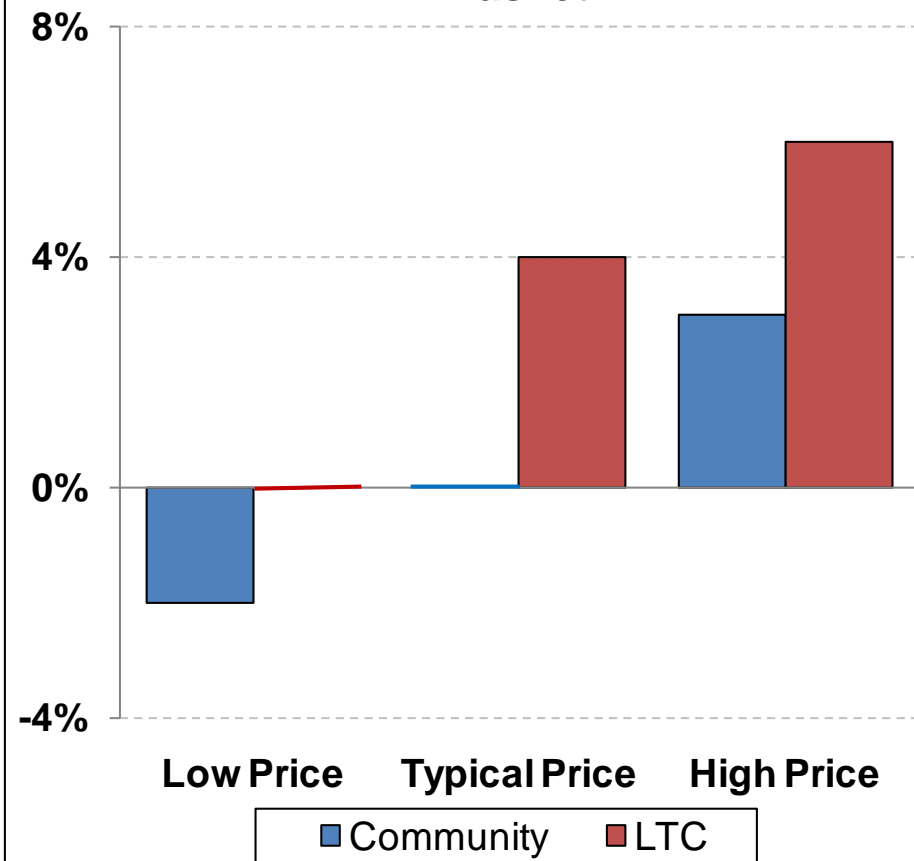


What are the price differentials between community and LTC pharmacies among antiretrovirals?

NDC Basket

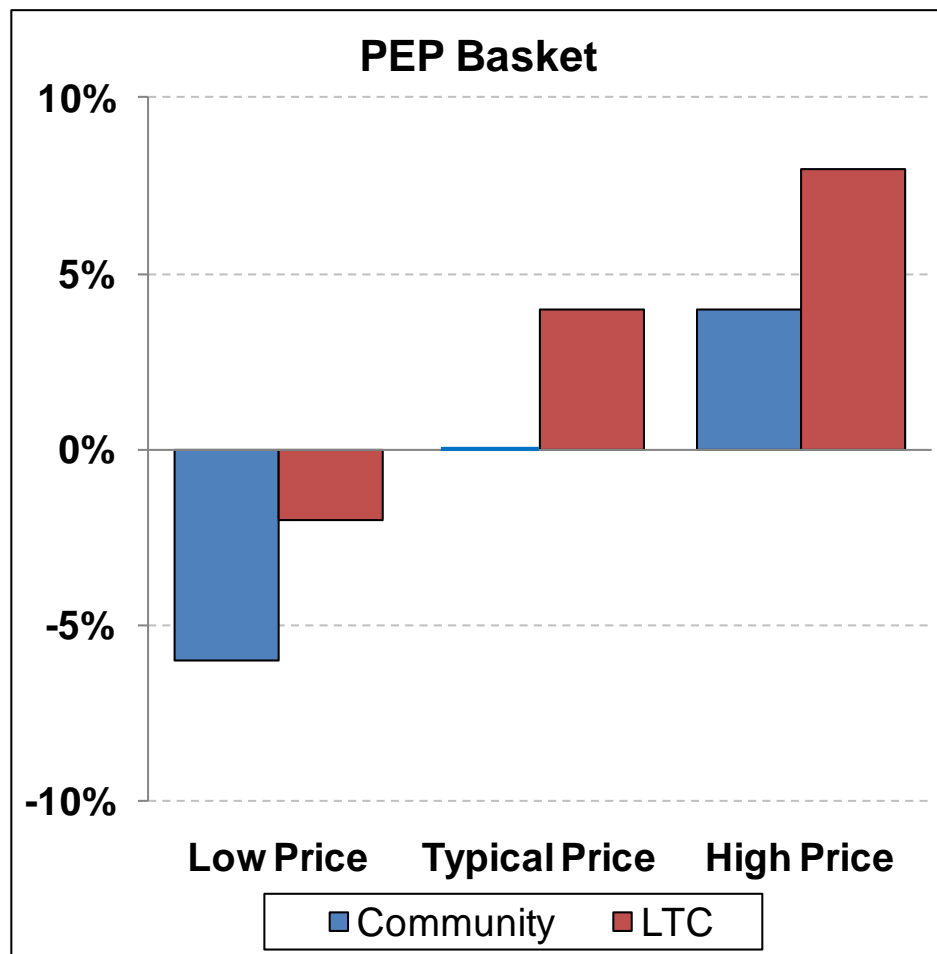
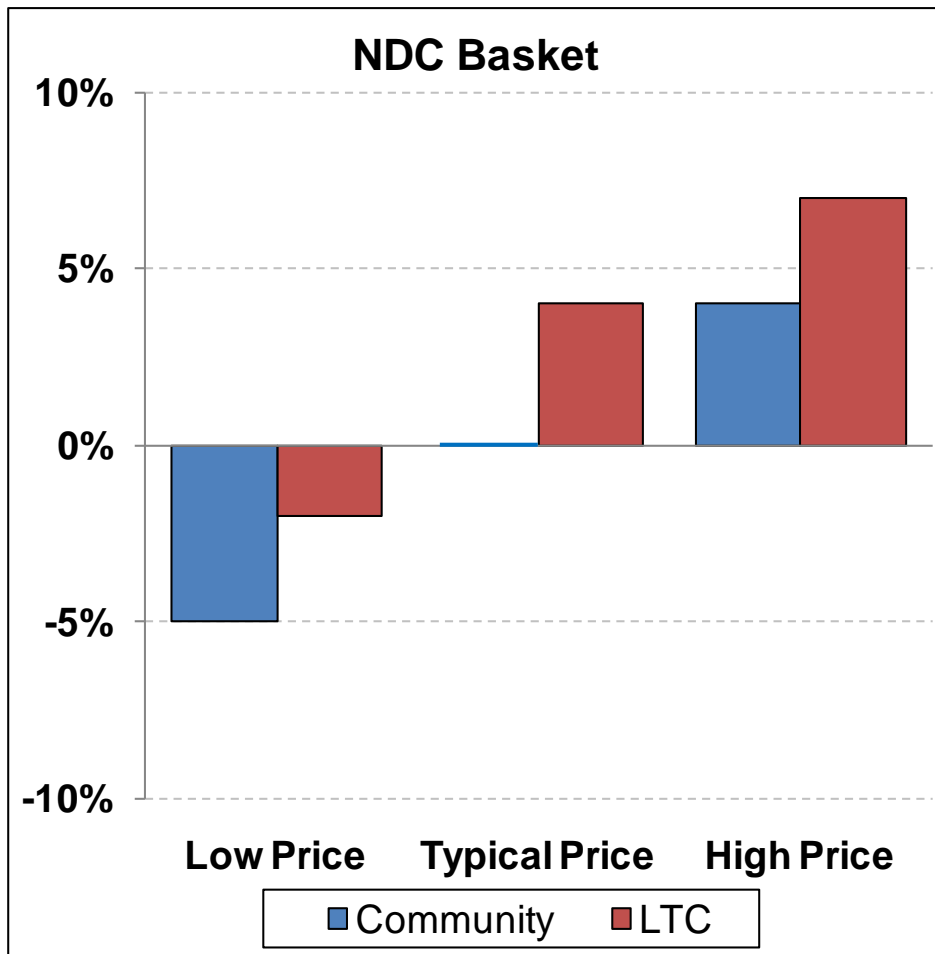


PEP Basket



August 2008 Data

What are the price differentials between community and LTC pharmacies among antineoplastics?



August 2008 Data



Summary of Price Differential Findings

- ◆ Low prices in community pharmacies are 10-13 % pts below typical prices; high prices are 12-16 % pts above typical prices
- ◆ Low prices in LTC pharmacies are 11-13 % pts below typical prices; high prices are 16-21 % pts above typical prices
- ◆ Difference in high and low prices for PEP basket exceeds that of NDC basket by about 7 % pts for both community and LTC pharmacies

Summary of Price Differential Findings (cont.)

- ◆ Among community pharmacies, dispensing fees add 3 % pts to low prices, 5 % pts to typical prices, and 7 % pts to high prices.
- ◆ Among LTC pharmacies, dispensing fees add 8-9 % pts to low prices, 12-13 % pts to typical prices, and 21-23 % pts to high prices

Summary of Price Differential Findings (cont.)

- ◆ MAPDs exhibit greater price variability than PDPs
 - 41 vs. 26 % pts for community pharmacies
 - 51 vs. 31 % pts for LTC pharmacies
- ◆ Price differentials between MAPDs and PDPs are approximately 1-4 % pts for both a community and LTC basket at all price levels

Summary of Price Differential Findings (cont.)

- ◆ LIS claims exhibit less price variability than non-LIS claims
 - 26 vs. 34 % pts for community pharmacies
 - 32 vs. 34 % pts for LTC pharmacies
- ◆ LIS claims cost 5 % pts more than non-LIS claims at low prices for community pharmacies, and 1-2 % pts more at typical and high prices.
- ◆ LIS claims cost 5 % pts more than non-LIS claims at low and typical prices for LTC pharmacies, and 10 % pts more at high prices

Summary of Price Differential Findings (cont.)

- ◆ Among the six protected classes, antidepressants exhibit the largest price variability:
 - 30 % pts for community pharmacies
 - 39 % pts for LTC pharmacies

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How many common NDCs are dispensed across PDP regions for community and LTC pharmacies?

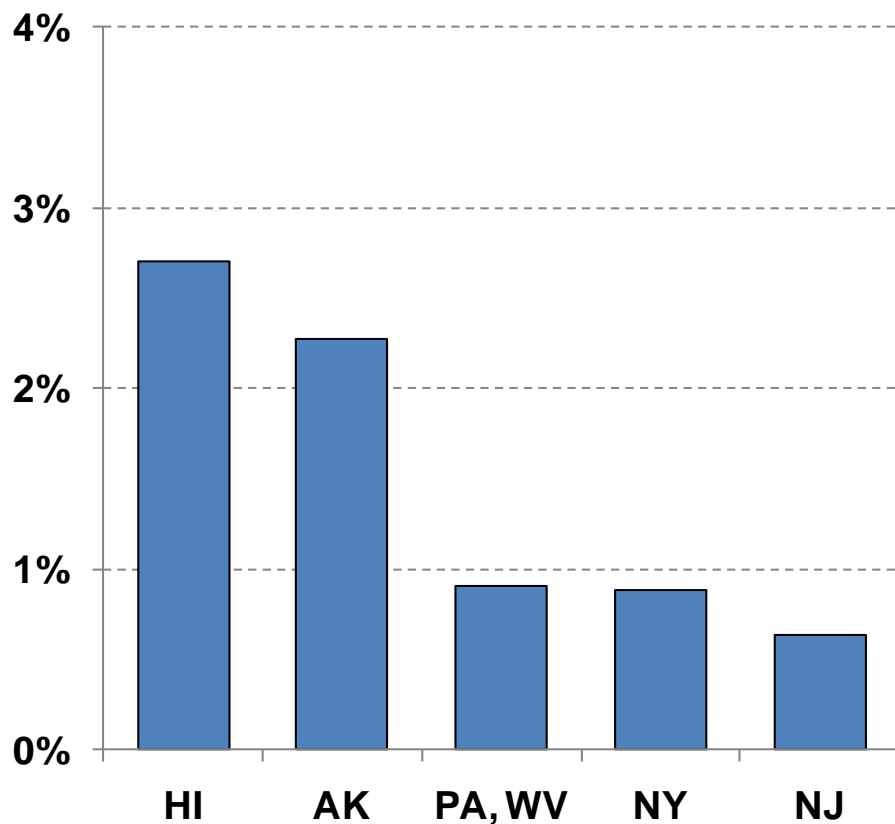
2008 Population	# Regions	# NDCs	% Claims	% Costs
Community				
25/clm month	34	226	31.3%	43.8%
10/clm month*	34	560	45.9%	56.9%
10/clm month, limit regions	33	1,226	62.6%	69.2%
LTC				
25/clm month	34	17	7.4%	13.9%
10/clm month	34	42	12.0%	22.0%
10/clm month, limit regions*	20	601	53.5%	61.0%

*Baskets Used

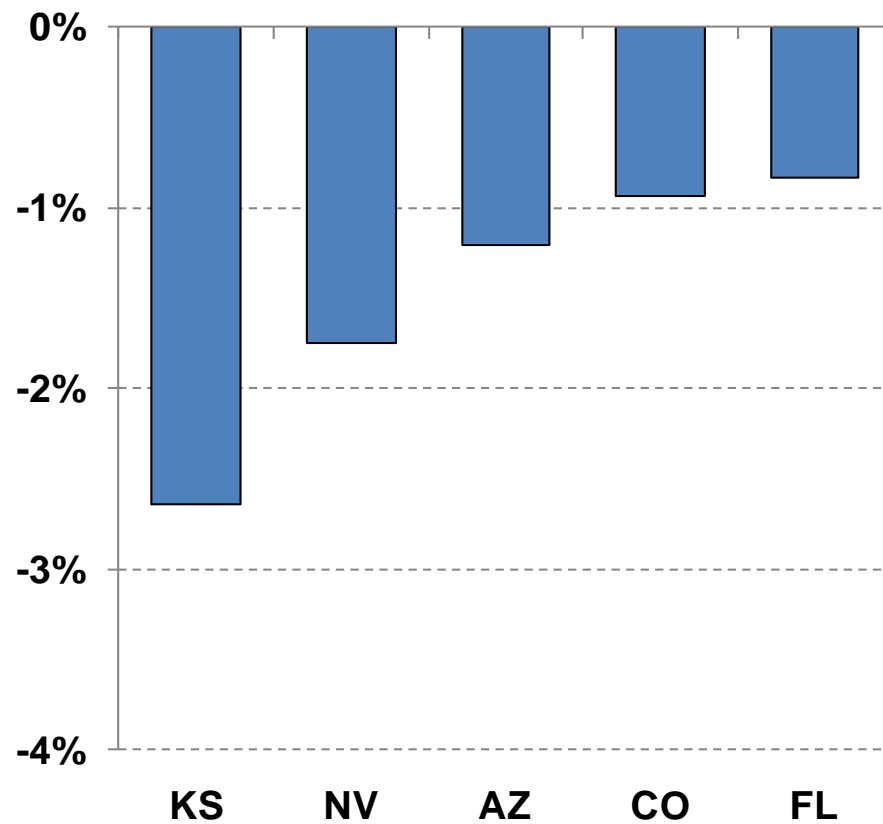


What are the price differentials for a community NDC drug basket across regions?

Most Expensive Regions (NDC)



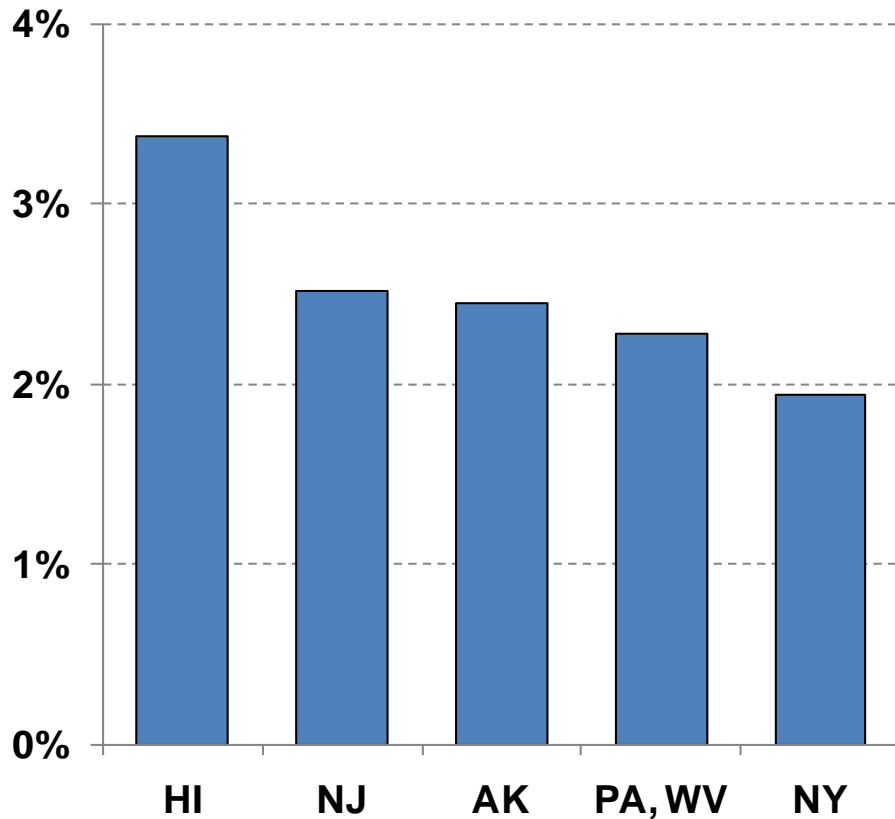
Least Expensive Regions (NDC)



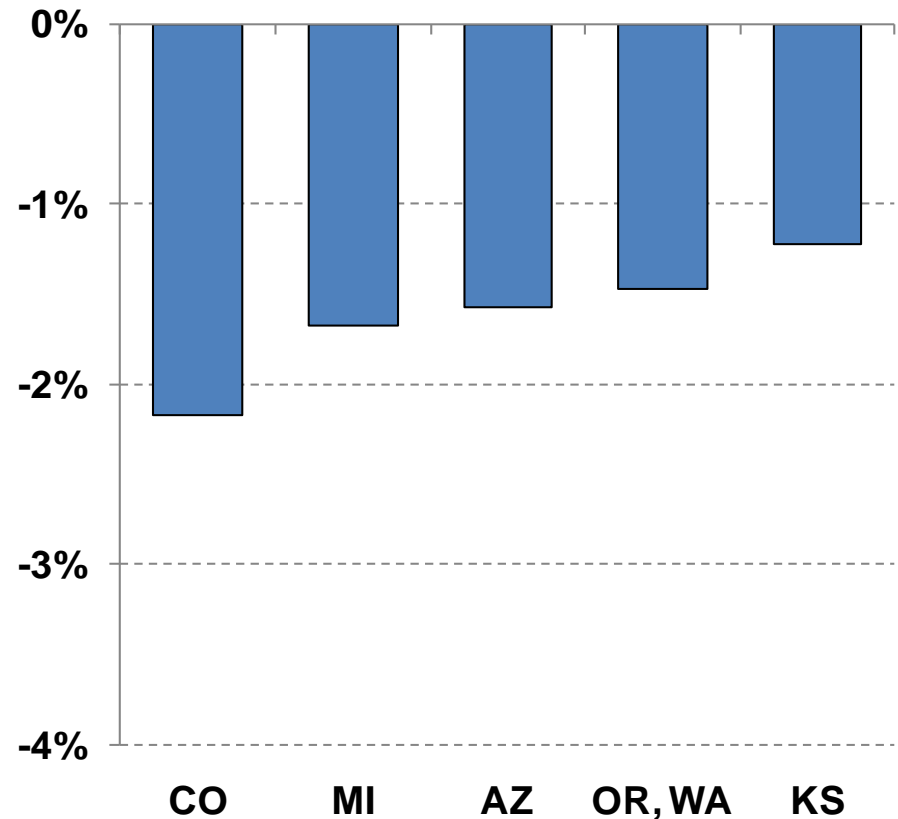
August 2008 Data

What are the price differentials for a community PEP drug baskets across regions?

Most Expensive Regions (PEP)



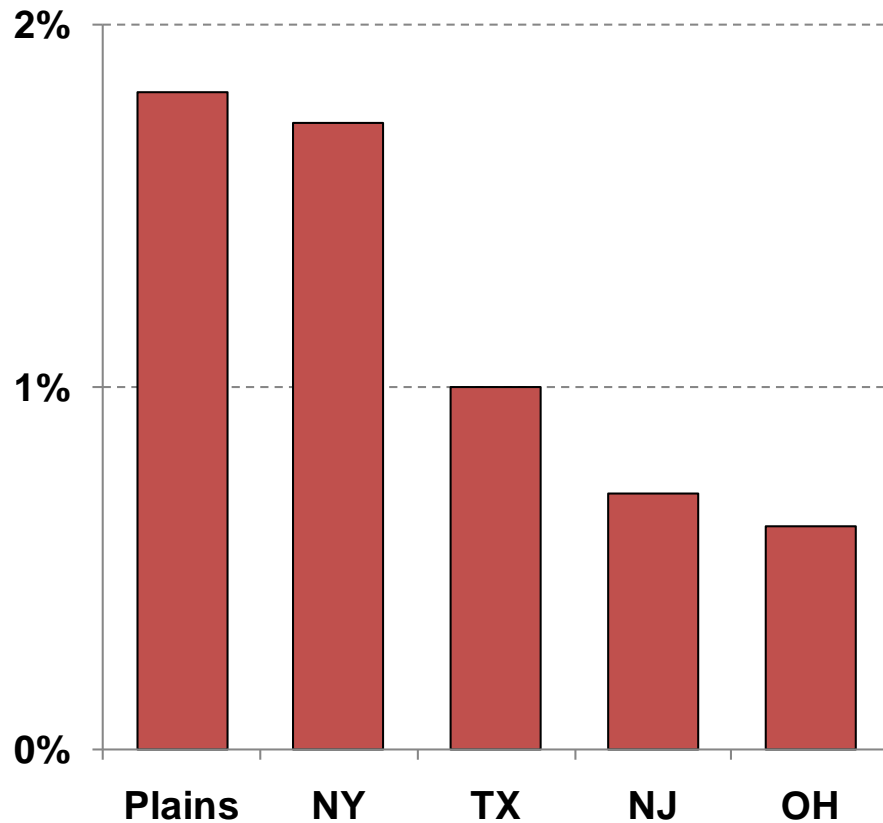
Least Expensive Regions (PEP)



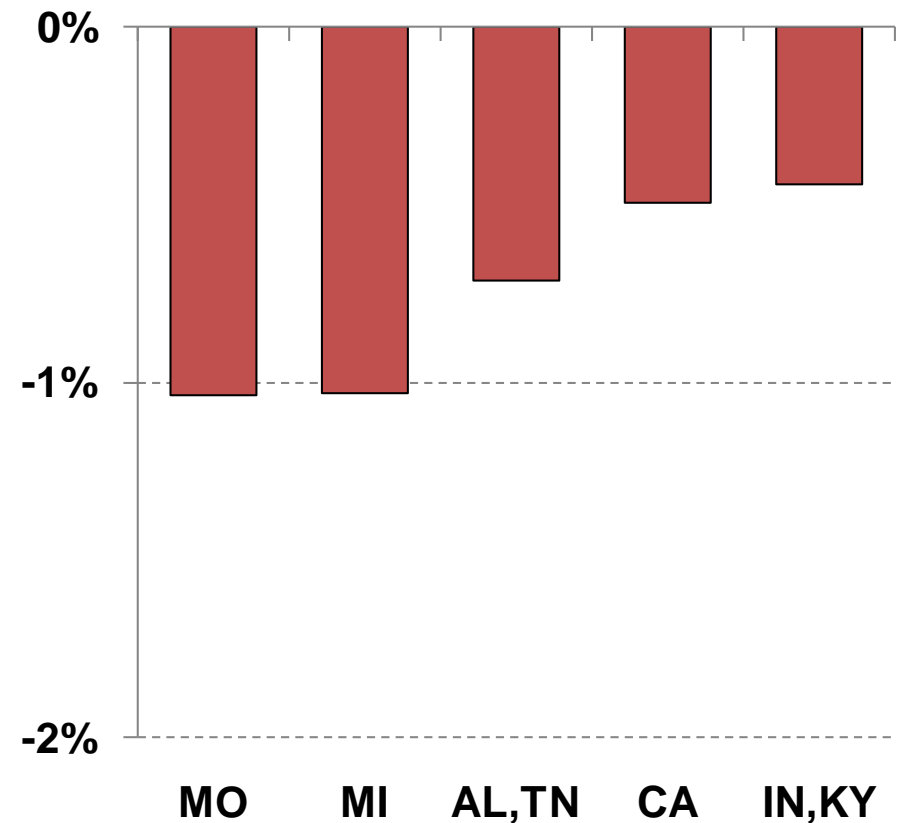
August 2008 Data

What are the price differentials for a LTC NDC drug basket across regions?

Most Expensive Regions (NDC)

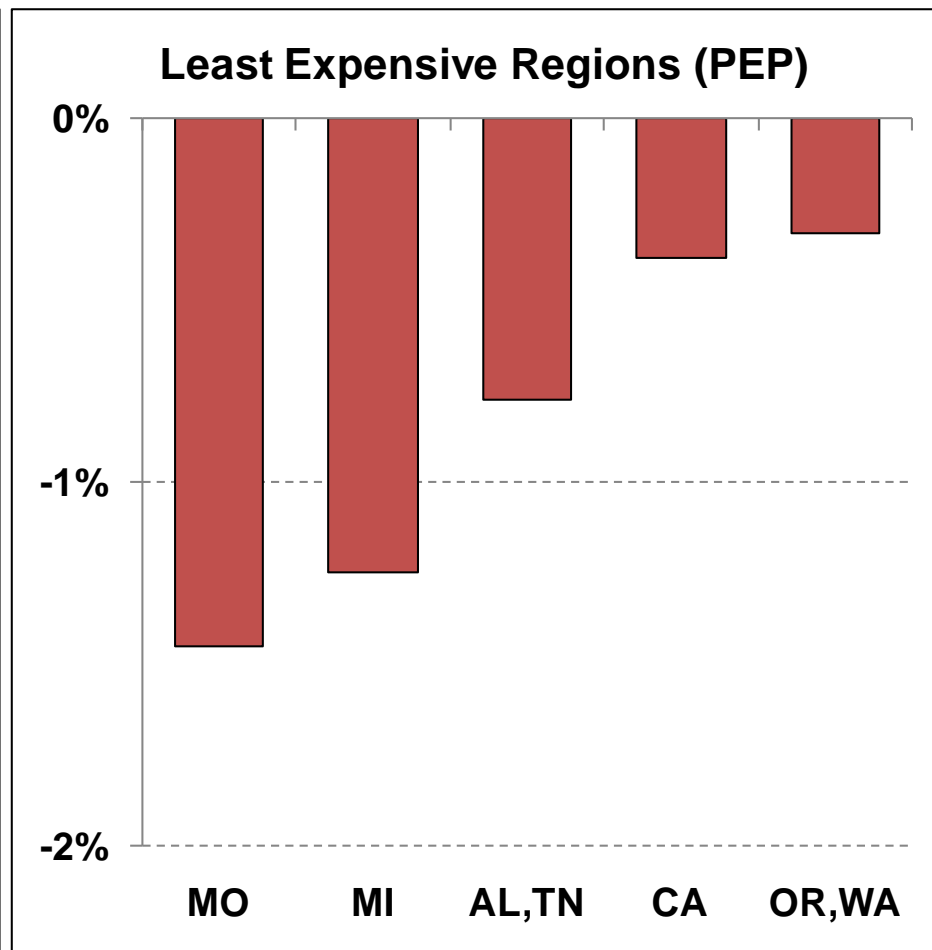
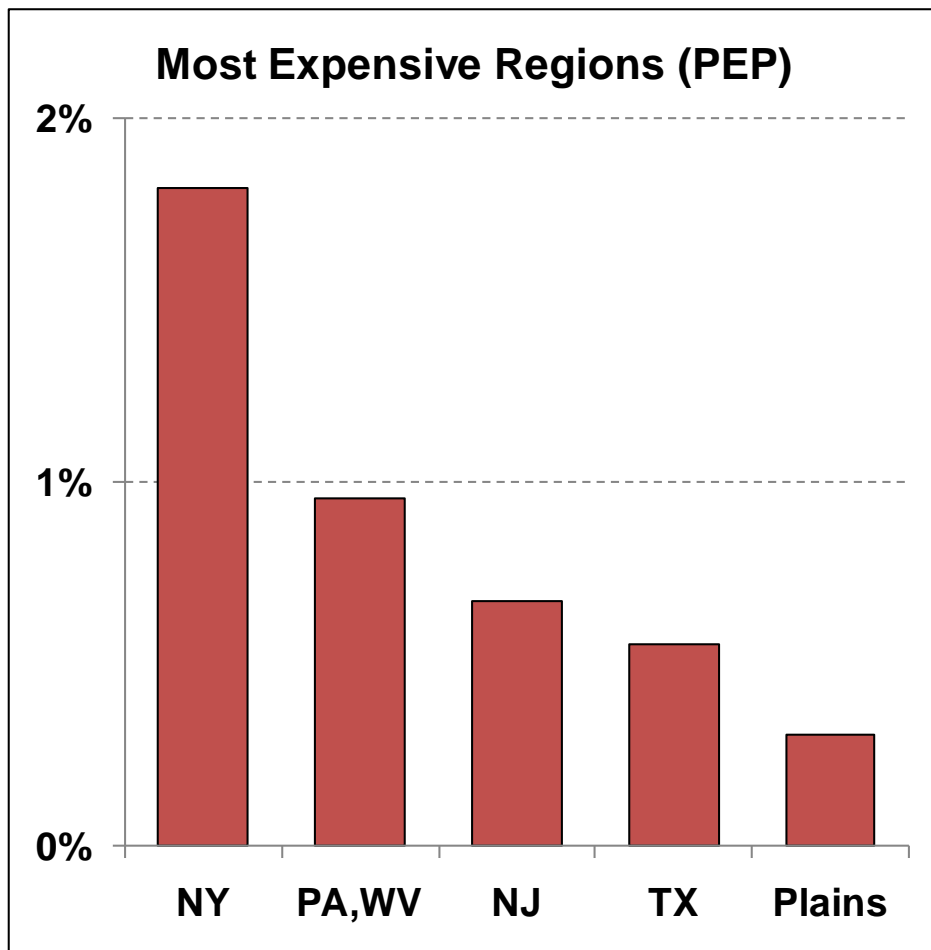


Least Expensive Regions (NDC)



August 2008 Data

What are the price differentials for a LTC PEP drug basket across regions?



August 2008 Data

Overall Summary of Findings

- ◆ Over 2006-08, typical prices grew 10-12% for NDC basket and fell 1-4% for PEP basket
- ◆ LTC pharmacies experience greater price inflation at high prices than community pharmacies by at least 6 % pts
- ◆ Low prices are 10-13 % pts below typical prices, whereas high prices are 12-21 % pts above typical prices
- ◆ LTC pharmacies have higher prices and greater price variability than community pharmacies for all drugs baskets investigated in this analysis

Overall Summary of Findings (cont.)

- ◆ Dispensing fees add 3 % pts to low prices, 5 % pts to typical prices, and 7 % pts to high prices among community pharmacies; these increases more than double for LTC pharmacies
- ◆ MAPDs exhibit substantially greater price variability than PDPs
- ◆ LIS claims cost 5 % pts more than non-LIS claims for LTC pharmacies, with this differential rising to 14 % pts at high prices
- ◆ Regional price variation is below 6 % pts for community and 3 % pts for LTC pharmacies



Contact Information

Thomas MaCurdy

Acumen, LLC

tmac@acumenllc.com