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PhRMA Statement on Prescription Drug Costs in Medicare Part D

Washington, D.C. (July 15, 2011) — Pharmaceutical Research and Manufacturers of America (PhRMA) Vice President Karl Uhlenhof released the following statement:

“A new report, released today by the IMS Institute for Healthcare Informatics, “Medicare Part D at Age Five: What Has Happened to Seniors’ Prescription Drug Prices?” shows that average costs for medicines frequently used by Part D beneficiaries have declined significantly since the implementation of the program.

“Specifically, average costs for medicines in the top 10 therapeutic classes in Part D declined by more than a third between January 2006 and December 2010, from \$1.50 to \$1.00. Furthermore, the IMS Institute projects that costs will continue to decline, reaching \$0.65 by the end of 2015. That would be a 57 percent decrease from 2006.

“The report, funded by PhRMA, gives further evidence that Part D is a successful program that provides unprecedented access to life-saving medicines for seniors and should not be weakened by unsound policies.

“The analysis highlights the nature of the biopharmaceutical market, in which savings are possible because innovator biopharmaceutical companies produce medical advances through pioneering scientific work and large-scale investments which lead, over time, to generic copies that consumers use at low cost for many years. The competitive, market-based structure of Part D is allowing for an accelerated adoption of generic drugs by seniors as prescription drug plans compete to maximize these savings from the prescription medicine lifecycle. This leads to lower costs for the program and for beneficiaries.

“It should be noted that both seniors and taxpayers are paying less than anticipated for the program. Recently, the Congressional Budget Office estimated that Part D spending was 41 percent lower than their initial 10-year estimate. What’s more, Part D enrollees continue to be overwhelmingly satisfied with their prescription drug coverage in the program. According to a recent Medicare Today survey, 84 percent of seniors say they are satisfied with their coverage under Part D.”

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The Pharmaceutical Research and Manufacturers of America (PhRMA) represents the country’s leading pharmaceutical research and biotechnology companies, which are devoted to inventing medicines that allow patients to live longer, healthier, and more productive lives. PhRMA companies are leading the way in the search for new cures. PhRMA members alone invested an estimated \$49.4 billion in 2010 in discovering and developing new medicines. Industry-wide research and investment reached a record \$67.4 billion in 2010.

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