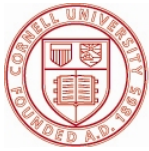


MEDICARE PART D RESEARCH FACTS

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Cornell University
College of Human Ecology

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**Cornell University Resource Education
for Medicare Part D**

FACT OR FALLACY ?

Brand name medications offer considerable savings over the cost of generic medications.

GENERIC INFLUENCE

A recent study has shown that 63% of prescriptions filled under Medicare Part D were for generic drugs in 2007. This is an increase of almost 6% from the previous year. Prior to the implementation of Part D, the split between brand and generic versions was about equal.

While the rate of generic usage is higher in the United States than in other developed countries, it is thought that this increase might be due to the impact of the donut hole in Part D plan benefit design. Generic dispensing rates are higher in the Part D program than they are for other commercial prescription insurance programs.

Many beneficiaries take a brand name drug initially and then switch to a generic medication shortly thereafter to save money. Only 6% of those who discontinue the brand name drug in the coverage gap return to the brand name after leaving the gap.

In 2007, the average number of days spent in the donut hole was just over 100 days. Of all Part D beneficiaries, 15.5% entered the donut hole in 2007, down from 17.1% in 2006. It is hard to make comparisons for these two years, however, as many beneficiaries did not enter the market until late because of the extended initial enrollment period.

A separate study about the pricing of medications commonly used by Medicare beneficiaries provides some added insight. The prices of brand name prescription drugs charged to pharmaceutical wholesalers increased by 7.1% in 2006 and 7.4% in 2006 and 2007. This is in contrast to increases of less than 7% for brand name drugs in each of the three years prior to Part D. The general inflation rate was much lower in 2007, 2.9%.

On the other hand, prices for generic medications charged to wholesalers in 2007 were either lower or the same for the products studied. The average annual rate of change was -2.9% and -9.6% for 2006 and 2007, respectively, for generics. Generic price changes were 7.1%, -0.3%, and -0.6% in the three years before Part D.

The higher rate of generic usage may be attributed to the tiered cost-sharing approach of Part D plans, but it also is very likely a product of continuing escalating costs of the brand name medications. By providing generics at a lower cost than brand name medications, it is likely that beneficiaries will begin therapy, and continue that therapy, on a generic medication.



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