Rx Price Watch Report

Specialty Prescription Drug Prices Continue to Climb

Stephen W. Schondelmeyer
PRIME Institute, University of Minnesota

Leigh Purvis
AARP Public Policy Institute

- Specialty drugs have never been precisely and consistently defined but generally include drugs that are used to treat complex, chronic conditions and that require special administration, handling, and patient care management. Another notable characteristic is that they are among the most expensive drugs on the market, with prices that can reach hundreds of thousands of dollars per year.
- In 2020, retail prices for 180 widely used specialty prescription drugs increased by an average of 4.8 percent. In contrast, the general inflation rate was 1.3 percent over the same period.
- The average annual cost for one specialty medication used on a chronic basis was \$84,442 in 2020. This cost was
 - Almost \$20,000 more than the median US household income (\$65,712),
 - Nearly three times the median income for Medicare beneficiaries (\$29,650), and
 - Over four and a half times higher than the average Social Security retirement benefit (\$18,530).
- Notably, the average annual cost for one specialty medication used on a chronic basis would have been \$39,068 in 2020—more than \$45,000 lower—if the retail price changes for these products had been limited to general inflation between 2006 and 2020.
- This analysis did not include five widely used specialty drug products that had unusually high prices and/or an extremely large one-time price increase during the study period. Had these extreme outlier specialty drugs been included, the average annual cost for the products in our market basket would have been more than \$50,000 higher, at \$136,401 in 2020.
- In 2020, the average annual price of therapy for specialty prescription drugs was almost 13 times higher than the average annual price of therapy for brand name prescription drugs.
- Prescription drug price increases affect consumers, employers, private insurers, and taxpayers who fund programs like Medicare and Medicaid. Spending increases driven by high and growing drug prices will eventually affect all Americans in some way.
- Current market forces do not adequately protect against excessively high drug prices and price increases, and the resulting growth in pharmaceutical expenditures is not sustainable. While policy options should encourage meaningful pharmaceutical innovation, such options should be balanced with the impact that drug prices and expenditures have on the affordability of medications for consumers and other payers.
- If these trends continue, older Americans will be unable to afford the specialty prescription drugs that they need, leading to poorer health outcomes and higher health care costs in the future.

The Average Annual Cost of Specialty Drugs Would Be More than \$45,000 Lower if Retail Price Changes Were Limited to General Inflation

Note: Calculations of the average annual specialty drug price change include the 88 drug products most widely used by older Americans for chronic conditions (see Appendix A).

Prepared by the AARP Public Policy Institute and the PRIME Institute, University of Minnesota, based on data from IBM® MarketScan® Research Databases.

Specialty Drug Prices Are Considerably Higher than Brand Name Drug Prices

Note: Calculations of average annual drug price of therapy included the drug products most widely used by older Americans for chronic conditions: brand name drug products (210) and specialty drug products (88).

Prepared by the AARP Public Policy Institute and the PRIME Institute, University of Minnesota, based on data from IBM® MarketScan® Research Databases.

Rx Price Watch 1254000, September 2021

© AARP PUBLIC POLICY INSTITUTE
601 E Street, NW
Washington DC 20049

Follow us on Twitter @AARPolicy
on [facebook.com/AARPolicy](https://www.facebook.com/AARPolicy)
www.aarp.org/ppi

For more reports from the Public Policy Institute, visit <http://www.aarp.org/ppi/>.

<https://doi.org/10.26419/ppi.00073.007>