

MEASURING DRUG PRICE CHANGES THROUGH THE LENS OF INFLATION

DATA ANALYSIS

Growth in Medicare Part B Drug Prices Has Been Lower than Inflation Since 2015

Since 2005, Medicare Part B payment for most drugs has been based on an average sales price (ASP) methodology. ASP is calculated quarterly as the volume-weighted average price of all sold units of a product and publicly published by the Centers for Medicare & Medicaid Services (CMS).

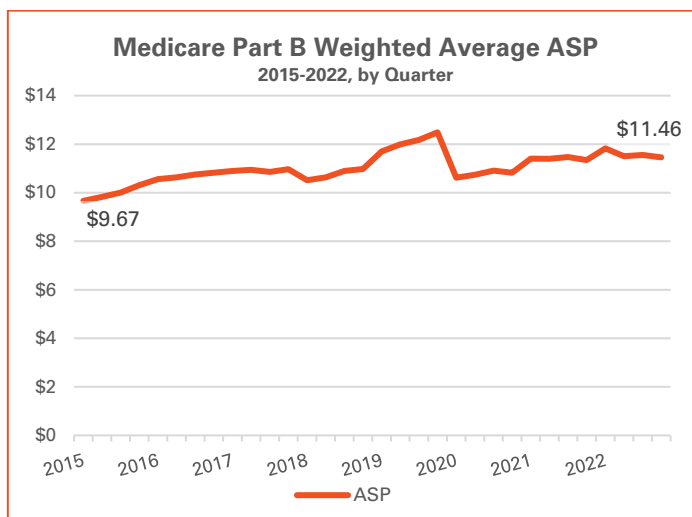
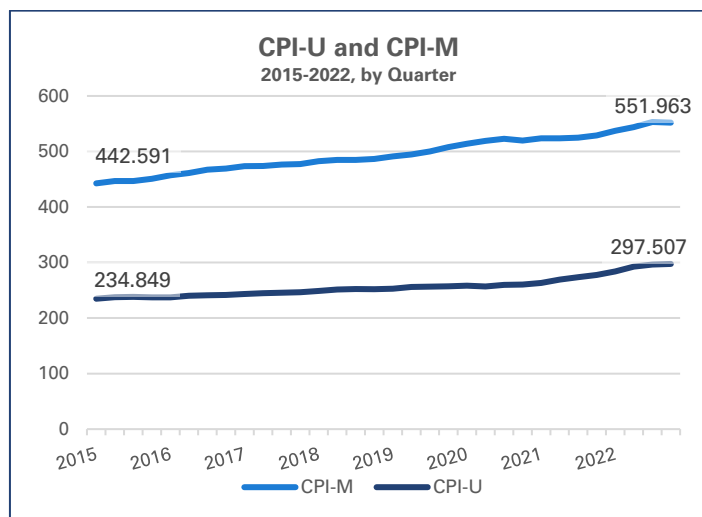
ASP is one of the most transparent pricing metrics published for the pharmaceutical industry. It specifically accounts for discounts negotiated between private payers, manufacturers, and others in the supply chain and, as a result, is often less than a drug's list price because of this. Additionally, once a product loses exclusivity and generic competitors enter the market, ASP is then blended to include total sales across all manufacturers.¹ This subsequently results in an even lower Medicare Part B payment rate.

Using an ASP-based methodology encourages pricing competition among drug manufacturers. While industry critics highlight how drug list prices have increased over time, they fail to recognize that actual payments made for drugs by insurers and patients are often lower. In fact, on average the ASP across all Medicare Part B drugs has grown slower over time than inflation in the US. Between 2015 and 2022:

Growth Metric	2015-Q1	2022-Q4	% Change
CPI-U	234.849	297.507	26.7%
CPI-M	442.591	551.963	24.7%
Volume-Weighted ASP for all Medicare Part B Drugs	\$9.67	\$11.46	18.6%

ANALYSIS HIGHLIGHTS

- Growth rates were slower for CPI-M, compared to CPI-U, and significantly slower for volume-weighted ASP compared to the general US economy and other health care services
- Using a metric like ASP to evaluate the price of Medicare Part B drugs is important as it shines a light on often misunderstood dynamics between a drug's list price and the price actually paid
- Having a payment methodology with this level of transparency encourages competition and has contributed to slower drug price growth compared to US inflation



¹ Biologics with biosimilar competition maintain separate ASP pricing.

Methodology: ASP payment rates were pulled from the CMS Medicare quarterly ASP files. Quarterly volume for all Part B drugs was estimated by using Medicare Part B administrative claims data for 2015-2022 (the most recent data available at the time this analysis was performed). The weighted average ASP across all Part B drugs was calculated and compared to CPI-M and CPI-U data published by the Bureau of Labor Statistics.