

Deeply discounted medications: Implications of generic prescription drug wars

Jessica L. Czechowski, Jennifer Tjia, and Darren M. Triller

Abstract

Objective: To describe the history of generic prescription pricing programs at major pharmacy chains and their potential implications on prescribing, quality of care, and patient safety.

Data sources: Publicly available generic prescription discount program drug lists as of May 1, 2009.

Summary: Fierce competition among major pharmacy chains such as Walgreens, CVS, and Walmart has led to a generic prescription pricing war with unclear public health implications. Introduced in 2006, currently 7 of the 10 largest pharmacy chains advertise a version of a deeply discounted medication (DDM) program, accounting for more than 25,000 locations nationally. By early 2008, almost 70 million Americans had used these programs. Although DDM programs lower drug costs for many patients, DDM formularies include potentially ineffective or harmful medications, have the potential to influence physician prescribing behavior, and may impair pharmacists' ability to review complete drug-dispensing records.

Conclusion: DDMs are widespread but have the potential for unintended consequences on patients, providers, and the health care system. A systematic review of DDMs needs to evaluate the clinical, economic, and system-level implications of such programs.

Keywords: Chain pharmacy, generic drugs, medication use, adherence (medication), quality of care.

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Invited responses appear after this Commentary; please see the Viewpoints by London (p. 758) and Rucker (p. 761).

Fierce competition among major pharmacy chains such as Walgreens, CVS, and Walmart has led to a generic prescription pricing war with unclear public health implications. Each of these chains offers a 1- or 3-month supply of specific medications for less than \$10.¹⁻³ Although lower prices for pharmaceuticals may be beneficial to patients, certain characteristics of these aggressive marketing programs may influence prescribing practices, the ability to monitor patient drug regimens, and patient health outcomes.

An initial determination of whether the deeply discounted medication (DDM) programs are collectively beneficial or harmful can only be made following a systematic evaluation of the programs, including the medications included and excluded and the effect on existing and emerging health system practices. Because of the high visibility of the programs and the volume of participating pharmacies, understanding DDM program effects is important to guiding policy development, promoting the expansion or replication of beneficial program characteristics, curtailing potentially detrimental characteristics, and integrating such programs into existing and emerging health care delivery systems.

At a Glance

Synopsis: Although important questions remain and a formal evaluation of the effects of deeply discounted medication (DDM) programs is necessary, the authors of the current work believe that the benefits of increased access to medications may outweigh the potential downsides of DDM programs. DDMs are widespread (available in >25,000 pharmacies nationwide) and highly used (through early 2008, almost 70 million Americans had obtained at least one prescription from a DDM program) but have the potential for unintended consequences on patients, providers, and the health care system.

Analysis: *Issues surrounding DDM programs include alleged “predatory pricing,” affecting revenue from claims for pharmacy benefits managers, and affecting Medicare Part D patients’ prescription benefits in the coverage gap (i.e., “doughnut hole”). Although discounting programs may affect consumer price expectations, little evidence exists that the short-term effects on category choice, category incidence, and purchase quantity persist over the long term. Efforts such as a 5-year demonstration project by the Centers for Medicare & Medicaid Services to provide financial incentives for implementing electronic health systems and New York State’s grants for information technology improvements could identify unintended consequences of current DDM billing practices and opportunities for system modifications that allow discount pricing strategies to continue while ensuring adequate information sharing that supports the development of an interoperable and transparent health care system.*

Objectives

The current work sought to describe key characteristics of DDM programs and to outline issues for further research to systematically evaluate the clinical, economic, and system-level implications of such programs.

History and evolution

The pricing war among major pharmacy chains appears to have begun in 2006. In May 2006, Kmart initiated a program that offered 90 days of select generic drugs for \$15, affecting all 1,100 pharmacies nationwide.⁴ A \$4 pilot program was then initiated in select Walmart pharmacies in Florida in fall 2006, and by the end of 2006, Walmart had extended the program nationwide.^{5,6} These programs have since been adopted by regional and national competitors, and 7 of the 10 largest pharmacy chains⁷ currently advertise a version of a DDM program on their consumer webpages.^{1-3,8-14} This rapid and widespread dissemination accounts for more than 25,000 locations nationally. Through the early part of 2008, almost 70 million Americans had obtained at least one prescription from a DDM program.¹⁵

Program characteristics

DDM programs vary from company to company but are characterized by one or more of the following DDM pricing strategies:

- Single low (or absent) out-of-pocket price ascribed to a select group of generic medications
- Direct-to-patient advertising
- Cost incentives for extended (e.g., 90-day) supplies
- National or regional availability through chain pharmacies and “big box” retailers
- Independence from the patient’s private insurer and prescription benefit plans
- Registration as a member, sometimes requiring an enrollment fee
- Inclusion of over-the-counter (OTC) products

Features of selected generic prescription discount programs are summarized in Table 1.

Potential clinical impact

A key advantage of the DDM programs is lower medication costs for patients. For many Americans, the availability of low-cost generic medications reduces cost barriers to medication acquisition substantially and may improve medication adherence. Medication acquisition costs are a barrier for an estimated 45 million nonelderly uninsured in the United States and for elderly insured individuals whose increasing out-of-pocket expenses contribute to cost-related nonadherence.¹⁶⁻¹⁸ Estimates indicate that poor adherence contributes to at least 10% of hospitalizations.¹⁹ Therefore, improving access through DDM programs that reduce the price of medications may lead to increased adherence to beneficial agents such as angiotensin-converting enzyme inhibitors and statins and may in turn reduce the incidence of serious cardiovascular events by improving care.^{20,21}

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