

Generic prices and the role of nonpreferred generic tiers in Part D

ISSUE: Prices of some generic drugs have been increasing in recent years. Some of the price increases have been attributed to drug shortages that have also been reported in the last few years. At the same time, the Part D plan sponsors have been moving towards using more tiers in their formularies. In 2015, most plans have five tiers, including preferred and nonpreferred tiers for generic drugs, in addition to two brand tiers, and a specialty tier.

KEY POINTS: In this presentation, we report on our review of research related the factors that are associated with drug shortages and large price increases for some generic drugs. In the second half of the presentation, we examine a potential link between the recent rise in Part D plans' use of two-generic tiers (preferred and nonpreferred) and the large increase in prices of some generics. We also explore other potential reasons for the widespread use of two-generic tiers.

ACTION: Commissioners should comment on the findings and discuss any issues raised by this research that are relevant to the Part D program.

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