Prescription drug prices record sharpest drop in more than 60 years

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Prescription drug prices recorded the biggest year-over-year drop in more than 60 years in July, a startling reduction experts chalked up to an array of factors, including more generics and discount GLP-1 weight-loss drugs.

While overall costs for medical services continued to rise, prices for medicinal drugs fell 2.7 percent over the 12 months ending in July, the largest annual drop on record, according to Bureau of Labor Statistics data released Wednesday. Prescription drugs, part of the medicinal drug category, fell by 3.1 percent, the steepest annual decline since March 1963.

The White House took credit for the good news, saying President Donald Trump's efforts to slash drug prices were working. Some experts said a Biden-era policy that requires Medicare to negotiate prices for some popular prescription drugs is more likely to be driving down costs.

The drop in prescription drug prices is one of the few bright spots in the U.S. consumer price index, which provides a snapshot of inflation. "Just what the doctor ordered!" Renaissance Macro, an investment research company, posted to X on Wednesday. Inflation has been running high for more than five years, sparked by the economic disruptions of the coronavirus pandemic and Washington's response to it. More recently, prices have been rising because of energy pressures fueled by the war with Iran.

Prescription drug prices, on the other hand, have slid sharply over the past six months, Renaissance Macro said, at a seasonally adjusted annual rate of 6.6 percent — "the sharpest six month drop on record."

While the results are stark, teasing out the cause is complicated, independent experts said.

President Donald Trump has long pledged to bring down prescription drug prices, and the White House made the case Wednesday that the president's pricing agreements with drug companies and a new initiative, the direct-to-consumer site TrumpRx, are responsible for the lower prices.

"No president in modern history has been able to drastically reduce prescription drug prices across the board except for President Trump," White House spokesman Kush Desai said in an email. "This is a direct result of the President's willingness to push the envelope with bold policies that actually put Americans and America First."

White House officials pointed particularly to the costs of GLP-1 weight-loss drugs, which Trump calls the "fat drug." TrumpRx, which launched earlier this year, offers GLP-1 drugs for as low as $150 for a starting dose. And under a Medicare pilot program that the administration launched in July, drugmakers Novo Nordisk and Eli Lilly agreed to charge the government just $245 a month for their products, Wegovy, Zepbound and Foundayo.

Monthly prices charged to insurance companies previously had topped $1,000. Trump and the drug companies began negotiating last year and announced the rough outlines of the deals in November.

"In a matter of months, we got up and running these discounts in a way that they were meaningful for American patients," said a White House official, speaking on the condition of anonymity because administration staff are not authorized to speak publicly.

But bigger trends in the GLP-1 marketplace were already driving down prices independent of Trump's negotiations, according to experts on drug pricing. Spotty insurance coverage for Wegovy and Zepbound for weight loss has produced enormous demand for lower consumer prices. And cheaper compounded drugs have posed genuine competition for the brand-name companies, adding even greater downward pressure.

Richard Frank, a senior fellow at the Brookings Institution and a professor emeritus of health economics at Harvard University, said he doubts Trump's initiatives are behind the drop in drug prices.

"If I was a betting guy on what mattered most, it would be probably stuff around the Inflation Reduction Act," Frank said, adding that Trump's efforts "wouldn't be where I'd place my money."

The Inflation Reduction Act was a signature accomplishment of former president Joe Biden, a sprawling measure enacted in 2022 that aimed to lower prescription drug prices by requiring Medicare, the federal health program for the elderly, to begin negotiating the prices it pays drugmakers for an array of popular and costly prescription drugs.

The first price reductions took effect at the beginning of this year. Using 2023 prices as a benchmark, the Centers for Medicare and Medicaid Services has estimated taxpayer savings of $6 billion from that first round.

The Trump White House argues that the Inflation Reduction Act gets too much credit for lowering prices, in part because it took four years to take effect.

Stacie Dusetzina, a health policy professor at Vanderbilt University, said the Inflation Reduction Act is a more plausible contributor to the decline in prices than Trump's initiatives.

While only 10 drugs have had their prices negotiated so far, they are commonly used ones "and their prices would likely be reflected in the prescription drug index," she said via email. TrumpRx, on the other hand, covers "a limited number of branded drugs," Dusetzina said, and "aside from GLP1s, they may not be high enough volume to be included."

Dusetzina said another Trump policy — most-favored-nation pricing, which ties U.S. prices to lower ones paid abroad — could not explain the drop in prices either, "as the models that are supposed to use this form of pricing haven't even launched."

The Bureau of Labor Statistics category for prescription drugs does not track what drug companies charge. It tracks how much a pharmacy actually receives when it fills a prescription. That means it includes a customer's payment at the counter plus whatever is paid by their private insurance or by Medicare Part D, the program that pays for drugs picked up from a pharmacy.

A drop in this index does not necessarily mean drugmakers have cut their prices. It can also reflect insurers and Medicare striking better deals or people switching to cheaper drugs.

Which brings up another, less glamorous source of lower prices: generics. When a brand-name drug loses patent protection, BLS waits about six months, swaps the brand in its sample for the cheaper generic and records the difference as a reduction in price. A wave of blockbuster drugs lost exclusivity over the past year, and Dusetzina said that could be pushing the index down — "especially if the drugs were commonly filled."