



Research and Planning Consultants, LP

**USING AMAZON PHARMACY PRICES TO
DETERMINE THE REASONABLE CHARGES AND
REASONABLE VALUE OF PRESCRIPTION DRUGS**

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Attachments

Attachment 1	List of Cities Surveyed
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Introduction to Medical Bill Analysis for Prescription Drugs

1. One part of determining the reasonable charges for past or future medical care is estimating the reasonable charge for prescription medications. RPC has public databases of actual charges for doctors, therapists, hospitals, imaging centers, ambulatory surgery centers, and many other provider types. Using these databases, we can directly calculate reasonable charges for these provider types. RPC is not aware of any public database of actual charges for prescription drugs, however. Instead, we have determined reasonable charges for prescription drugs by surveying pharmacies in the area where the patient lives.

RPC's Price Survey Method

2. For the survey method, RPC staff call three major retail pharmacies (e.g., CVS, Walgreens, Walmart, a major grocery chain) located in the area where the patient lives. For medical bill analysis, RPC defines the maximum reasonable charge for a prescription drug as the highest of the three charges. For life care plans, we average the three charges. RPC continues to regard the survey method as a valid method.

RPC's New Amazon Pricing Method

3. In the future, RPC will rely on online prices from Amazon Pharmacy instead of the survey method. Amazon offers two pricing models for a prescription drug for people without insurance coverage. One price is available to anyone with a prescription, with free four- to five-day delivery anywhere in the 50 US states.¹ A lower price on most drugs is available to Amazon Prime members (\$139 annual subscription²), with free two-day delivery.³ RPC will define the reasonable charge and value of all prescription drugs each year as the lesser of the Amazon Prime

¹ Amazon Pharmacy, <https://pharmacy.amazon.com>.

² "The Amazon Prime Membership Fee," Amazon, <https://www.amazon.com/gp/help/customer/display.html?nodeId=G34EUPKVMYFW8N2U>.

³ Amazon Pharmacy, <https://pharmacy.amazon.com>.

price plus a \$139 membership or the Amazon price for non-prime members. The tables below show example pharmacy bills priced under both methods over two years.

Date	Medication	Dosage	Quantity	Amazon Price	Amazon Prime Price
11/5/2021	Gabapentin	300 MG	90	\$40.50	\$23.00
11/5/2021	Tizanidine	2 MG	90	\$44.10	\$15.80
12/3/2021	Meloxicam	7.5 MG	60	\$42.00	\$22.10
Subtotal				\$126.60	\$60.90
Amazon Prime Subscription				\$0.00	\$139.00
Total Cost for 2021				\$126.60	\$199.90

4. In 2021, the total price without a subscription to Amazon Prime is \$126.60, and the price including the subscription is \$199.90, so the reasonable charge and reasonable value is based on the price without the subscription.

Date	Medication	Dosage	Quantity	Amazon Price	Amazon Prime Price
2/1/2022	Gabapentin	300 MG	90	\$40.50	\$23.00
2/1/2022	Tizanidine	2 MG	90	\$44.10	\$15.80
2/1/2022	Meloxicam	7.5 MG	60	\$42.00	\$22.10
4/1/2022	Meloxicam	7.5 MG	60	\$42.00	\$22.10
4/30/2022	Gabapentin	300 MG	90	\$40.50	\$23.00
4/30/2022	Tizanidine	2 MG	90	\$44.10	\$15.80
6/1/2022	Meloxicam	7.5 MG	60	\$42.00	\$22.10
7/30/2022	Gabapentin	300 MG	90	\$40.50	\$23.00
7/30/2022	Tizanidine	2 MG	90	\$44.10	\$15.80
7/30/2022	Meloxicam	7.5 MG	60	\$42.00	\$22.10
Subtotal				\$421.80	\$204.80
Amazon Prime Subscription				\$0.00	\$139.00
Total Cost for 2022				\$421.80	\$343.80

5. In 2022, the total price without a subscription to Amazon Prime is \$421.80, and the price including the subscription is \$343.80. In this case, the reasonable charge and reasonable value is based on the price with the lower price, including the subscription.

6. Amazon also offers a prescription drug service called RxPass, which gives Prime members prescribed quantities of an unlimited number of covered drugs for \$5.00 per month.⁴ RPC does not consider RxPass prices in calculating reasonable charges or reasonable value of prescription medications due to the unavailability of the program in some states and the limited number of covered drugs under the program.

Advantages of the Amazon Pricing Method

7. Using Amazon Pharmacy prices to determine the reasonable charges and value of prescription drugs has several benefits over a price survey approach. First, because Amazon Pharmacy is licensed and operates in all 50 states,⁵ a single data source can be used in all cases. A price survey is somewhat sensitive to the choice of the pharmacies surveyed. With the Amazon Pricing method, the reasonable charge and value analysis will provide consistent results regardless of which retailers are nearest a patient's residence. In some rural areas, three different pharmacies may not be reasonably near a patient's residence.

8. Second, Amazon Pharmacy prices are accessible online and without a prescription.⁶ The Amazon pricing method is faster and easier for RPC staff to obtain prices, and it is faster and easier for others to confirm that RPC's reasonable charge and value numbers are the prices from RPC's source.

⁴ "Rx Pass," Amazon, https://pharmacy.amazon.com/rxpass?ref_=sf2_rxpass2_t1.

⁵ See <https://pharmacy.amazon.com/prescribers>.

⁶ Some pharmacies will not give out drug pricing over the phone to individuals without a prescription when surveyed.

9. Finally, Amazon Pharmacy's cash-pay prices for Prime members are available at many major retailers by using the Prime Rx savings card.⁷ Major retailers participating in the Prime Rx program include Walgreens, CVS, Rite Aid, HEB, Kroger, Costco, Safeway, Meijer, Harris Teeter, Shop Rite, Duane Reade, Giant, and Wegmans. Therefore, the Amazon Prime price plus the subscription fee is an available cash price at most of the retail pharmacies RPC surveyed.

Comparing the Amazon Pricing Method to the Survey Method

10. To ensure the Amazon pricing method generates reasonable and consistent prices for prescription drugs compared to RPC's survey method, RPC performed both methods for 51 cases for several months in 2022 and 2023. We compared the results of the two methods for over 50 medications in 14 medical markets.⁸ We also did price surveys for the six most common prescription drugs we analyze⁹ in the District of Columbia, in the largest city and in one intermediate-size city in the 49 states other than Texas, and for the principal cities in the 13 medical markets¹⁰ in Texas not included in the 51 cases above. A full list of cities surveyed is Attachment 1 to this white paper.

11. The final comparison data set included 920 city/drug observations with an Amazon price (not Prime) and prices from three major retail pharmacies for each observation. There were 327 observations in Texas and 593 observations from other states. The Amazon price was between the lowest and highest survey price for 370 (40%) of these observations. The Amazon price was higher than the survey prices for 216 observations, and it was on average \$17.51 higher than the next highest price. The Amazon price was lower than the survey prices for

⁷ "Participating Pharmacies," Amazon, https://www.amazon.com/primerx/participatingpharmacies/ref=cg_RxCard_2a1_w?pf_rd_m=ATVPDKIKX0DER&pf_rd_s=slot-20&pf_rd_r=S6MF3GBM5RRBVYMZJBJ0&pf_rd_t=0&pf_rd_p=c064d2a7-37e9-4635-9f0f-9b1e4e61c4ed&pf_rd_i=prx-2.

⁸ Amarillo, Austin, Beaumont, Corpus Christi, Dallas, Fort Worth, Houston, McAllen, San Antonio, and Waco in Texas and Los Angeles, Las Vegas, Memphis, and Lebanon, Missouri.

⁹ Cyclobenzaprine, gabapentin, tizanidine, meloxicam, nortriptyline, and tramadol.

¹⁰ RPC defines medical markets based on the Hospital Referral Regions according to the Dartmouth Atlas of Healthcare. See Dartmouth Atlas Project, <https://www.dartmouthatlas.org>.

334 observations, and it was on average \$15.50 lower than the next lowest price. From this, RPC concludes that the results from the Amazon pricing method are generally in line with the results of the survey method, and that the results from the Amazon pricing method will be substantively similar to the results of RPC's survey method. These results hold across states and for both large and mid-size cities.

12. Because almost all the major retailers usually called in the survey method participate in the Amazon Prime Rx savings program,¹¹ Amazon Prime prices are in fact cash prices accepted at these retailers. Therefore, the results of the Amazon pricing method are reasonable, even if the prices differ from the cash prices these retailers offer to customers who are not Prime members.

Limitations of the Amazon Pricing Method

13. Amazon Pharmacy does not fill prescriptions for compounded drugs or schedule II controlled substances.¹² When RPC must determine reasonable charges or value for these drugs or any others not available through Amazon, we will continue to use the survey method.

Implementation of the Amazon Pricing Method

14. RPC began using the Amazon Pricing method for all reviews of past pharmacy bills effective September 14, 2023, the publication date of this white paper. RPC also began using the Amazon Pricing method as one approach for determining the cost of prescription drugs in life care plans on this date.

¹¹ The only major retailer RPC used that does not participate in the Prime Rx savings program is Walmart.

¹² See "What medications are available through Amazon Pharmacy?" Amazon, <https://pharmacy.amazon.com/prescribers#:~:text=What%20medications%20are%20available%20through,controlled%20substances%20are%20one%20exception.>