

\$4 Generics, Are They Worth The Additional Costs?



The offer sounds almost too good to be true! As a pharmacist, I was the first to scratch my head and say "How can they afford to do it?" In terms of overhead costs involved in filling a prescription, I've read the studies and run the numbers myself, it costs

about \$10 put a single pill in a bottle. Overhead costs involve rent, salaries, bottles, labels etc. So how are those big box stores able to sell a 30 day supply of medication for less than what is cost to dispense it? The answer is simple, cost shifting.

From a marketing perspective, I will give them credit it is a stroke of genius. In today's economy, everyone is looking for ways to save a buck or two. My dad used to drive an extra 10 miles just save a penny on a gallon of gasoline. Then he ran the numbers and figured out he was being played for a sucker. His total gas bill was higher, even though his price per gallon was lower. The idea of \$4 generic drugs is very similar to a convenience store offering gas for \$1.50 per gallon, the gas station picks up a bunch of new customers, and their existing customers get a great deal. What you don't know is that every item in the convenience store is now much higher than they were before the "deal," in order to make up the difference in the price of gas. The ultimate goal being to increase store profits to a level higher than before the offer was run.

In this case if you were already on a \$4 drug, and not on any other medicine, you "won". If you don't mind waiting in the long lines that are now there from all the increased volume as a result of the "deal". However, if you are taking medicine other than your \$4 drug, you better do some price shopping. I recently

called a couple of "highway corner pharmacies" that offer discount generic plans as well as a couple of "superstores" and here is what I found. For 30 pills of a generic version of Zofran (ondansetron) used for nausea, the price at 3 different corner big box and superstore pharmacies ranged from \$121.32 to \$674.99 for the exact same medication. My retail price is \$45.00, and the price I pay from my wholesaler to me is \$25. This is not a shameless plug for Marley Drug. Rather, it is a wake up call for all consumers that they need to be aware of the huge variability in drug prices, and that even the "superstores" are in business to make money. Don't believe the spin that their savings from bulk purchasing power is passed on to you. In the interest of full disclosure, Marley Drug has a \$90 day plan for \$18. This allows us to cover our overhead, and be competitive. I have made no cost shifting of any other item, prescription or over the counter in my store as a result of this plan.

Now, it is easy to see how a "superstore" can give away \$4 generics when you are making that kind of mark-up on products not on the \$4 generic list. Amazingly, it is not just consumers that are getting suckered like my dad on cheap gas. Major employers are getting bad advice from their consultants encouraging them to implement "superstore" drug benefit plans. While it is understandable how the consumer can get swept up in the moment of an apparent deal that looks to good to be true, consultants and our elected officials can and should be expected to know better. The city of Lexington has already signed on to such a plan, for the sake of the taxpayers, including you newly annexed folks, you better hope every employee only takes medicine that is "on the list" or the cities budget folks will be in for one heck of a surprise.

As a business owner, the economic mess we are in is unlike anything I have ever seen. I have customers and friends losing jobs left and right. Money for basic necessities is become scarce for people who have never experienced something like this. However, it is in times like this that PT Barnum's now famous quote "There is a sucker born every minute" rings true. Even big companies are getting desperate trying to find new and creative ways to get you in the store and spend your money. If you are just on \$4 drugs, and you don't mind the long lines then I say take the deal and run with it. Personally, my health and my time as a consumer are worth more than that.

Written by Dave Marley

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