

Medicare-Approved Drug Discount Cards Offer Substantial Savings to Beneficiaries with Common Health Conditions

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Overview

This CMS analysis indicates that beneficiaries taking prescription drugs for nine very common health conditions among Medicare beneficiaries can find substantial savings over the amount a typical American would pay by using Medicare-approved drug discount cards. This is an update of an earlier analysis, which was issued on June 29, 2004. The findings of this updated analysis are consistent with our previous findings.¹ The updated CMS analysis shows that savings of about 10 to 75 percent over average retail prices (depending on the drug) are available by enrolling in a Medicare-approved drug discount card, with some of the greater savings available on generic drugs. Further, the analysis shows that beneficiaries do not need to select the card with only the best prices -- beneficiaries enrolling in one of the five best-priced discount cards in a given geographic area can save 6 to 70 percent over average retail prices for drugs used to treat common health conditions.

Findings include:

- Medicare beneficiaries being treated for 9 very common conditions including congestive heart failure, diabetes and hypertension can save about 10 to 75 percent, depending on the drug, over national average retail prices, based on analysis of 22 drugs used to treat these common conditions. And, beneficiaries can select among a number of cards to realize substantial savings. The Medicare-approved drug discount card with the 5th best pricing for a given geographic area can still save 6 to 70 percent. (See attached table.)
- For 21 out of 22 drugs included in this study, the percentage savings over national average retail pharmacy prices were in the double digits. For the cards with prices 5th down the list, double-digit savings over national average retail prices were being offered on 17 out of 22 drugs included in this study. (See attached table.)
- While a few of the savings for discount cards with prices 5th down the list were relatively modest, such ranges of discounts -- some modest and most more robust -- are expected. These types of ranges are common in the insured market as well.
- Medicare beneficiaries being treated for congestive heart failure can save 25 to 74 percent over national average retail pharmacy prices, depending on the drug.

¹ Note: The drug Vioxx has been removed from the analysis, since Vioxx was removed from the market as of September 30, 2004.

Beneficiaries selecting a Medicare-approved discount card with prices 5th down the list will still find that savings of 16 to 70 percent are available on prescription drugs commonly used to treat this condition.

- Beneficiaries being treated for another common condition, diabetes, can save 10 to 56 percent. Beneficiaries selecting the card with prices 5th down the list can still save 8 to 49 percent over average retail prices, depending on the drug.

Other CMS analyses have indicated that beneficiaries can obtain discounted prices that are about 12 to 21 percent less than the national average prices actually paid by all Americans (including the higher prices paid by cash paying customers and the lower prices paid by people with public or private insurance) for baskets of commonly used brand-name drugs at retail pharmacies.² These findings are consistent with the findings from several independent analyses including those released by the Henry J. Kaiser Family Foundation, The Lewin Group for the Healthcare Leadership Council, and the American Enterprise Institute.³ Some of these studies find savings somewhat larger than the savings in the CMS analyses. This finding of larger savings is consistent with our understanding that savings generally would be higher when comparing discount card prices to prices paid by cash customers (as was done in some of these studies).

This analysis emphasizes the importance of informing Medicare beneficiaries, particularly low-income beneficiaries, about the simple steps to enroll in a Medicare-approved discount card so that they can start realizing these substantial savings right now. The enhancements we have made at www.medicare.gov in recent weeks make it easier than ever for seniors to compare lower-cost prescription drugs and select the right card. For example, one new website enhancement provides information on less costly alternatives to a given drug for a beneficiary to consider and discuss with his or her physician. Given the prevalence of chronic medical conditions in the Medicare population and the discounts available through Medicare-approved drug discount cards on drugs used to treat these conditions, Medicare beneficiaries should call 1-800-MEDICARE now to find out how to enroll.

Background on Health Conditions Common Among the Medicare Population

Medicare beneficiaries take prescription drugs to treat a myriad of health conditions. Eighty-seven percent of Medicare beneficiaries reported having at least one chronic condition in 2002⁴. Most beneficiaries – 59 percent – report having high blood pressure, and 56 percent report being told they have some type of non-rheumatoid arthritis (an additional 11 percent report rheumatoid arthritis). Diabetes is also a common condition: 1 in 5 beneficiaries report having diabetes. About one-third of beneficiaries have heart

² This and other CMS analyses related to Medicare-approved drug card pricing can be found at <http://www.cms.hhs.gov/medicarereform/drugcard/drugcardreports.asp>

³ The Lewin Group for Healthcare Leadership Council, “Assessment of Beneficiary Savings in the Medicare Drug Discount Card Program”, August 12, 2004; American Enterprise Institute, “Private Discounts, Public Subsidies”, 2004; and Health Policy Alternatives for The Henry J. Kaiser Family Foundation, “Medicare Drug Discount Cards: A Work in Progress”, July 2004.

⁴ Background data from Medicare Current Beneficiary Survey (MCBS), 2002 Access to Care File, for community dwelling Medicare beneficiaries.

disease, and about 20 percent of those reporting heart disease report having congestive heart failure. Mental illness is also a major concern among the Medicare population, with over 17 percent of Medicare beneficiaries reporting that they have been told they have a mental or psychiatric disorder.

Most chronic conditions are treated with prescription drugs. Indeed, 91 percent of Medicare beneficiaries filled at least one prescription in 2001⁵. For this analysis, we chose 22 drugs that are used to treat the following array of very common illnesses⁶:

- Acid Reflux
- Congestive Heart Failure
- Depression
- Diabetes
- Hypertension
- High Cholesterol
- Osteoarthritis
- Osteoporosis
- Schizophrenia

Some Medicare-approved drug discount card sponsors have targeted programs to provide beneficiaries with chronic conditions health information, including tips on how best to control these conditions, the appropriateness of generic substitution(s), and other helpful information.

This analysis highlights the savings that Medicare beneficiaries with very common medical conditions may realize through Medicare-approved drug discount cards. Given the prevalence of these conditions in the Medicare population and the discounts often available, Medicare beneficiaries without insurance for prescription drugs – particularly those with low incomes – can benefit from the savings available through Medicare-approved cards.

Analysis of Savings Available for Beneficiaries with Common Health Conditions

To assess what level of savings can be achieved through Medicare-approved drug discount cards for 22 prescription drugs taken for 9 conditions common among Medicare beneficiaries, we compared the best price available through the Medicare discount cards in a given zip code to the national average retail pharmacy price⁷. We also compared the price of the Medicare-approved cards with the 5th best price to the national average retail pharmacy price. The best Medicare-approved drug discount card prices found on Price Compare (and all of the 5 best card prices in our analysis) are well below the national average retail pharmacy prices that typical Americans pay. Total dollar savings are likely much higher than the individual drug savings estimates presented in this report since beneficiaries with chronic conditions most often take more than one medicine.

⁵ MCBS, 2001 Cost and Use File.

⁶ Not all beneficiaries are being treated with prescription drugs for their conditions, and this analysis does not include all drugs for each condition.

⁷ www.medicare.gov accessed on September 13, 2004.

A major national source of reliable data on retail pharmacy prices currently in the market is IMS Health's National Prescription Audit *Plus*TM. FDA has used this data source to demonstrate that real savings can be achieved through the use of generic drugs, and our analysis of savings is based on the same national average retail prices used in the FDA analysis.⁸ To illustrate the savings on generics, FDA used data on average U.S. retail prices for brand name drugs and the median average U.S. retail prices among generic manufacturers for generic drugs for the first quarter of 2004. The data were derived from IMS Health's National Prescription Audit *Plus*TM on brick-and-mortar retail pharmacies (i.e. chain, independent and foodstore pharmacies, excluding Internet, mail order and long-term care pharmacies).

These data represent the full price paid at the pharmacy by both the customer and the insurer, if any. This measure of average national retail price would generally be lower than the retail prices paid by Medicare beneficiaries without drug coverage because the prices include pharmacy revenues from insurers and third party payers that negotiate lower prices with pharmacies on behalf of their enrollees. If we compared the Price Compare prices to prices paid only by cash paying customers, we would expect to observe larger discounts. We converted these per day prices to a 30-day prescription price for purposes of comparing to the Price Compare information.

The IMS Health data on national average retail pharmacy prices are nationally representative. For calculating the best and 5th best prices under Price Compare, selected zip codes from areas around the country were used. The analysis did not include repeat searches over multiple geographic areas in order to produce different results. The geographic areas we chose may not be representative of all areas.

Findings

The attached table compares the Medicare-approved discount cards with the best price and the price 5th down the list to national average retail pharmacy prices for 22 drugs. Highlights include:

- A beneficiary with an acid reflux condition in Boston, Massachusetts, could save 19 percent off the national average retail price for Aciphex by enrolling in the Medicare-approved drug discount card with the best price for this drug. This represents a savings of almost \$26 per month. The card with the price 5th down the list still yields savings of almost \$24 per month for this drug.
- A beneficiary in Portland, Oregon could enroll in a Medicare-approved drug discount card and buy lisinopril to treat hypertension at a savings of 45 percent over the price a typical American would pay for that drug. Enrolling in the discount card with a price 5th down the list still yields a 32 percent savings. Lisinopril and enalapril are generic drugs used in the treatment of hypertension, and, as illustrated in the table, have much lower costs than similar brand name drugs. Thus, by using generic drugs beneficiaries can save even more.

⁸ FDA website accessed May 3, 2004 at <http://www.fda.gov/cder/consumerinfo/SavingsFromGenericDrugs.pdf>.

- In Pittsburgh, beneficiaries with hypercholesterolemia could save from \$14-\$42 per monthly prescription for the drugs Lipitor, Pravachol, or Zocor depending upon which drug they take. Enrolling in the card with a price 5th down the list still gives the beneficiaries savings ranging from \$10-\$42 per monthly prescription for these drugs.

Again, monthly dollar savings are likely to be higher because beneficiaries with chronic conditions usually take multiple drugs.

Conclusion

The CMS findings underscore the importance of outreach to Medicare beneficiaries who are struggling with drug costs, to ensure that the maximum number of eligible beneficiaries enroll in a Medicare-approved drug discount card program as soon as possible to begin receiving substantial savings. This is especially important for low-income beneficiaries, who can receive up to thousands of dollars worth of assistance with their prescription drug costs until the Medicare prescription drug benefit is implemented January 1, 2006.

PRICE COMPARISON: RETAIL PHARMACY PRICE VERSUS MEDICARE-APPROVED DISCOUNT CARDS -- BEST CARD AND 5TH CARD ON LIST

Illustrative Medicare Beneficiary Condition / Residence	Drugs	Dosing	National Average Retail Monthly Price ¹	Range of Discounts for Top 5 Cards		\$ Savings from Discount		% Savings from Discount	
				5th Card Price	Best Price	5th Card Price	Best Price	5th Card Price	Best Price
Acid Reflux									
Boston, MA 02762-Bristol									
	Aciphex	20 mg per day	\$135.90	\$112.30	\$109.93	\$23.60	\$25.97	-17.4%	-19.1%
Congestive Heart Failure									
Louisville, KY 40205									
	Lasix	40 mg per day	\$11.40	\$9.58	\$7.44	\$1.82	\$3.96	-16.0%	-34.7%
	furosemide*	40 mg per day	\$6.00	\$3.87	\$2.76	\$2.13	\$3.24	-35.5%	-54.0%
	Toprol XL	200 mg per day	\$58.80	\$46.47	\$43.94	\$12.33	\$14.86	-21.0%	-25.3%
	metoprolol*	200 mg per day	\$24.60	\$7.48	\$6.41	\$17.12	\$18.19	-69.6%	-73.9%
Schizophrenia									
Boise, ID 83714									
	Zyprexa	10 mg per day	\$292.80	\$261.24	\$255.87	\$31.56	\$36.93	-10.8%	-12.6%
Diabetes									
Cleveland, OH 44106									
	Glucophage	850 mg twice per day	\$84.30	\$77.57	\$76.20	\$6.73	\$8.10	-8.0%	-9.6%
	metformin*	850 mg twice per day	\$38.70	\$19.62	\$16.90	\$19.08	\$21.80	-49.3%	-56.3%
	Actos	30 mg per day	\$163.50	\$138.12	\$133.58	\$25.38	\$29.92	-15.5%	-18.3%
Hypercholesterolemia									
Pittsburgh, PA 15122									
	Zocor	40 mg per day	\$136.20	\$93.76	\$93.76	\$42.44	\$42.44	-31.2%	-31.2%
	Lipitor	40 mg per day	\$106.50	\$96.41	\$92.36	\$10.09	\$14.14	-9.5%	-13.3%
	Pravachol	40 mg per day	\$136.50	\$113.98	\$111.89	\$22.52	\$24.61	-16.5%	-18.0%
Hypertension									
Portland, OR 97202 - Multnomah									
	lisinopril*	20 mg per day	\$18.00	\$12.20	\$9.86	\$5.80	\$8.14	-32.2%	-45.2%
	Zestril	20 mg per day	\$38.40	\$30.95	\$28.82	\$7.45	\$9.58	-19.4%	-24.9%
	Prinivil	20 mg per day	\$34.80	\$32.71	\$30.84	\$2.09	\$3.96	-6.0%	-11.4%
	Vasotec	20 mg per day	\$51.30	\$47.59	\$45.87	\$3.71	\$5.43	-7.2%	-10.6%
	enalapril*	20 mg per day	\$24.30	\$8.48	\$6.10	\$15.82	\$18.20	-65.1%	-74.9%
	Norvasc	5 mg per day	\$48.60	\$43.68	\$41.42	\$4.92	\$7.18	-10.1%	-14.8%
Osteoarthritis									
Greenville, MS 38731									
	Celebrex	200 mg per day	\$90.90	\$80.79	\$77.30	\$10.11	\$13.60	-11.1%	-15.0%
Osteoporosis									
Greenville, MS 38731									
	Fosamax	70 mg per week	\$71.40	\$63.71	\$63.00	\$7.69	\$8.40	-10.8%	-11.8%
Depression									
Greensboro, NC 27410									
	Zoloft	50 mg per day	\$82.20	\$74.35	\$67.59	\$7.85	\$14.61	-9.5%	-17.8%
	Paxil	20 mg per day	\$87.90	\$74.93	\$73.13	\$12.97	\$14.77	-14.8%	-16.8%

(1) Note: CMS computed a monthly 30 day supply based on dosing schedule using the FDA per day estimate based on analysis of IMS Health, National Prescription Audit PlusTM; 1st Quarter 2004; extracted April 2004. Prices are average retail prices (for generic drugs median average retail prices among generic manufacturers was used) in brick-and-mortar pharmacies (i.e. chain, independent and foodstore pharmacies, excluding internet, mail order and long-term care pharmacies) across all payer types (cash-only, Medicaid and other 3rd party payers) for the first quarter of 2004.

(2) Data Source: Medicare Price Compare, at www.medicare.gov, accessed 9/13/04. An asterisk (*) denotes a generic drug.