

Medicare-Approved Drug Discount Cards Offer Important Benefits For 7.2 Million Low-Income Medicare Beneficiaries Enrolling in Medicare-Approved Cards Accesses \$600 and Other Important Benefits

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Overview

This CMS analysis indicates that, for low-income Medicare beneficiaries without Medicaid coverage for prescription drugs, selecting one of a number of Medicare-approved drug discount cards provides substantial savings including \$600 in transitional assistance, deep discounts off retail prices, and coordination with manufacturer and state programs that provide further savings. This analysis emphasizes the importance of informing low-income Medicare beneficiaries about the simple steps to enroll in a Medicare-approved discount card so that they can start getting this substantial assistance right now.

This CMS analysis compares 4-month¹ savings (September to December 2004) available through discounts and the additional savings available to low-income Medicare beneficiaries² through Medicare-approved drug discount cards to national average retail pharmacy prices available to typical Americans. We compare the best prices available under Medicare-approved drug discount cards with national average retail pharmacy prices paid by typical Americans. We also assess the savings available to beneficiaries enrolling in a card whose prices are 5th down on the list for the baskets of commonly used drugs we selected. We focus on retail pharmacies in this analysis because recent studies indicate that 4 out of 5 Medicare beneficiaries get their prescriptions through such pharmacies.³ Other studies by CMS and others have also shown significant savings when mail order prices available through the Medicare-approved cards are compared to the best prices available through U.S. Internet pharmacies.

The new analysis shows:

- Low-income beneficiaries enrolling in a card offering the best prices can save nearly 44 to 92 percent compared to national average retail prices over the 4-month period (September to December 2004) when the \$600 in transitional assistance is taken into account. (See Table 1)
- Low-income beneficiaries enrolling in a card program that is 5th down the list in terms of best prices still save a substantial amount – 42 to 91 percent for the baskets of commonly used drugs we selected. So there are a number of good choices available. Beneficiaries – especially low-income beneficiaries -- are foregoing substantial savings by not enrolling in a Medicare-approved card now. (See Table 2)

¹ We chose a 4-month analysis because low-income beneficiaries may receive discounts and \$600 in transitional assistance for the last 4 months in 2004 (September-December). Unused transitional assistance funds from 2004 may be used in 2005.

² Low-income beneficiaries have incomes at or below 135 percent of the federal poverty level for purposes of qualifying for transitional assistance.

³ Agency for Healthcare Research and Quality, Medical Expenditure Panel Survey (MEPS), 2001.

- Free (plus dispensing fee), low cost or flat-fee (\$12 or \$15) offers from a number of manufacturers through many Medicare-approved cards produce additional savings. Enhancements to the Price Comparison website now factor in the savings from these “wrap-around” programs, thus facilitating beneficiary choice by providing information on how to achieve the most favorable savings.
- Given the availability of \$600 in both 2004 and 2005, discounts on brand name and generic drugs, and manufacturer and state programs that coordinate with Medicare-approved drug discount cards, low-income beneficiaries are better off enrolling in one of any number of Medicare-approved cards than not enrolling at all.
- 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.
- A new CMS initiative will facilitate enrollment for about 1.8 million Medicare Savings Program beneficiaries who are eligible for a discount card and transitional assistance credit. The eligible seniors will receive a discount card in the mail and may use it to get discounts beginning November 1, 2004. By calling 1-800-MEDICARE, eligible beneficiaries will be able to activate the \$600 for 2004 and an additional \$600 for 2005.

Background on Savings Available Through Medicare-Approved Drug Cards

Other CMS analysis indicates that savings of about 12 to over 21 percent can be obtained from Medicare-approved drug discount cards compared to the national average retail pharmacy prices for brand name drugs paid by typical Americans, regardless of a beneficiary’s income. Savings from switching to generics are larger – 40 to 94 percent over brand name drugs commonly used by Medicare beneficiaries and obtained through Medicare-approved cards. Regardless of their income, for beneficiaries without good drug coverage, these savings can often pay for the cost of a drug card (a fee of at most \$30 for the year) in the first month or so of use. Thus, for these beneficiaries, delay in signing up for a card means forgoing substantial savings.

Savings and other benefits for low-income beneficiaries are even more substantial. CMS estimates that 7.2 million Medicare beneficiaries – 17 percent of all beneficiaries -- are eligible to receive \$600 in transitional assistance through Medicare-approved cards in each of 2004 and 2005,⁴ in addition to the discounts. These beneficiaries have incomes at or below 135 percent of the federal poverty level (FPL), that is, \$12,569 for a single beneficiary and \$16,862 for a couple in 2004.

As a general rule, these 7.2 million lower-income beneficiaries who are receiving little or no assistance with drug costs are substantially better off enrolling in a Medicare-approved card. Low-income beneficiaries are better off enrolling in a Medicare-approved discount card, even if they receive a deeper discount on certain drugs from another source (separate manufacturer assistance program or mail order, for example) because of the \$600 transitional assistance. Low-

⁴ Medicare Prescription Drug Discount Card Interim Rule and Notice, published in the *Federal Register* December 15, 2003.

income Medicare beneficiaries have much to gain by enrolling in Medicare-approved discount drug cards including:

- \$600 in transitional assistance in 2004, and \$600 more in 2005 available through any Medicare-approved drug discount card
- Enrollment fees (if any) paid by Medicare
- Prices for brand name drugs that are about 12-21 percent or more lower than prices paid by typical Americans
- Savings from switching to generic drugs through the Medicare-approved cards that are 40-94 percent lower than prices for brand name drugs
- Free (plus dispensing fee), low cost or flat-fee (\$12 or \$15) offers on many brand name drugs from several manufacturers including Abbott, Astra Zeneca, Eli Lilly and Company, Johnson & Johnson, Merck, Novartis and Pfizer for beneficiaries enrolling in certain Medicare-approved cards. Enhancements to the Price Comparison website now factor in the savings from these “wrap-around” programs to assist beneficiaries in obtaining the greatest possible savings.
- Coordination with state low-income programs to help ensure that beneficiaries eligible for the \$600 and who are known to the state are automatically enrolled to the extent possible.

Because of the importance of enrolling beneficiaries who can get the most help as quickly as possible, U.S. Department of Health and Human Services outreach efforts have particularly targeted low-income seniors and persons with disabilities. For example, the Centers for Medicare & Medicaid Services (CMS) and Administration on Aging (AoA) have made almost \$4 million available to fund community-based organizations to provide advice and help enroll Medicare beneficiaries with limited incomes in Medicare-approved discount cards. In addition, CMS and AoA, working with a myriad of beneficiary advocacy and education groups at both the national and local levels, are providing \$2.2 million to fund significant outreach efforts with these organizations.

Analysis of Assistance Available to Low-Income Beneficiaries

To assess what level of savings for low-income beneficiaries can be achieved through Medicare-approved drug discount cards, we examined 6 illustrative beneficiaries across the country with incomes at or below 135 percent FPL, each with a different basket of drugs. We compared the estimated 4-month (September to December 2004) drug discount card cost to the estimated national average monthly retail cost (adjusted to reflect 4-month costs).

In another analysis⁵, the best Medicare-approved discount card prices found on Price Compare are about 12 to 21 percent lower than the national average retail pharmacy prices for brand name drugs that typical Americans pay – including both the higher prices paid by cash paying customers and the lower negotiated prices paid by people with public or private insurance coverage. The analysis in this paper also includes additional beneficiary savings from the \$600 in transitional assistance available through the Medicare-approved discount drug cards.

⁵ Other analyses are available at <http://www.cms.hhs.gov/medicarerereform/drugcard/drugcardreports.asp>. The same six illustrative beneficiaries from other analyses are used in this study.

In this analysis, we first compare the best retail price available on Price Compare on September 6, 2004 for beneficiaries with incomes at or below 135 percent FPL to national average retail pharmacy prices (Table 1), to determine whether savings are significant. A second analysis compares the prices of the Medicare-approved drug discount card with the 5th highest discount for each market basket of drugs (Table 2).

A major source of reliable data on retail pharmacy prices currently in the market today 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 pharmacy prices used in the FDA analysis.⁶ 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). We used the national average retail prices used in the FDA analysis in this analysis as well.

These data represent the actual transaction price paid at the pharmacy, not the "list price" for the drugs. 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 discounts 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. In its calculations, the FDA presented per-day drug costs for a number of commonly used brand and generic drugs. We converted these per day prices to a 30-day prescription price for purposes of comparing to the Price Compare information. We then adjusted both the Price Compare and FDA market basket data in order to make 4-month comparisons.

The IMS Health data on national average retail pharmacy prices are nationally representative. For calculating the best price under Price Compare, zip codes from areas around the country were selected. 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.

Medicare is also making it easier for beneficiaries who may use up their \$600 credit to find a Medicare-endorsed drug card that provides large additional "wraparound" discounts from drug manufacturers on their drugs. Wraparound discounts give beneficiaries access to brand-name prescriptions that cost as little as \$15 or even less, after the \$600 credit has been used up. Medicare's enhanced "Price Compare" tool – available by calling 1-800-MEDICARE or on www.medicare.gov – will now identify the top five cards for a low-income beneficiary, based on the total savings on their drugs taking into account discounts, \$600 credit, and any savings from the manufacturer "wraparound" discounts.

⁶ FDA website accessed May 3, 2004 at <http://www.fda.gov/cder/consumerinfo/SavingsFromGenericDrugs.pdf>.

Findings

The low-income beneficiaries in our illustrations could save a significant amount of money on prescription drugs purchased over a 4-month period, depending on the geographic area and the mix of drugs. The CMS analysis indicates that beneficiaries could enroll in any of the top 5 cards and save from over 40 to 91 percent.

- Low-income beneficiaries enrolling in a card offering the best prices can save nearly 44 to 92 percent compared to national average retail prices over a 4-month period when the \$600 in transitional assistance is factored in. (Table 1)
 - A person taking Celebrex (osteoarthritis), Zocor (high cholesterol), Paxil (depression) and Norvasc (hypertension) might expect to pay \$1,454 over 4 months at a retail pharmacy. A beneficiary in Portland, Oregon, could enroll in a Medicare-approved drug card and save \$915 – about 63 percent of the total – over the 4 months when the discount and \$600 is taken into account. The savings from the discount alone was about 34 percent of the total savings.
- Low-income beneficiaries enrolling in a card program that is 5th down the list in terms of best prices still save a substantial amount – 42 to 91 percent for the baskets of commonly used drugs we selected. (Table 2)
 - If the beneficiary taking Celebrex, Zocor, Paxil and Norvasc (described above) enrolled in the Medicare-approved discount card that had the 5th best price (not the card with the best price), that beneficiary would still save a total of nearly 61 percent -- \$882 – over national average retail pharmacy prices when the \$600 and the 19 percent discount is taken into account.
- The Price Compare website has been enhanced with information about wraparound programs, where drug manufacturers partner with Medicare approved cards to give beneficiaries access to brand name drugs for as little as \$15 or less once their \$600 credit is used up. Such wraparound programs can increase savings significantly. For example, we looked at a beneficiary in Greensboro, NC (zip code 27410) who takes the drugs Lipitor, Zoloft and Zyprexa – all very common drugs among the Medicare beneficiary population. We found nine cards all of which could save the beneficiary more than \$5,000 over a 12 month period, when the discounts, \$600 in annual assistance and the manufacturer programs available on all three of the drugs are taken into account.

TABLE 1 - Low-Income Medicare Beneficiaries' (<=135% FPL) Estimated 4 Month Savings in 2004 (Lowest Price Card)

Illustrative Medicare Beneficiary/Residence	Conditions	Drugs	Dosing	4 Month Estimated Average National Retail Cost ¹	4 Month Estimated Drug Discount Card Cost ²	4 Month \$ Savings From Discount Only	4 Month % Savings From Discount Only	4 Month Total Savings Including \$600	4 Month Total % Savings (Discount & \$600)
Beneficiary #1									
National	Market Basket Total			\$1,454.40					
Pittsburgh, PA 15122	Market Basket Total				\$1,145.20	\$309.20	-21.3%	\$909.20	-62.51%
Portland, OR 97202	Market Basket Total				\$1,139.08	\$315.32	-21.7%	\$915.32	-62.93%
	Osteoarthritis	Celebrex	200 mg per day						
	Hypercholesterolemia	Zocor	40 mg per day						
	Depression	Paxil	20 mg per day						
	Hypertension	Norvasc	5 mg per day						
Beneficiary #2									
National	Market Basket Total			\$522.00					
Louisville, KY 40205	Market Basket Total				\$459.68	\$62.32	-11.9%	\$476.03	-91.19%
Orange County, CA 90623	Market Basket Total				\$459.68	\$62.32	-11.9%	\$476.03	-91.19%
	Hypertension	Prinivil	20 mg per day						
	Diabetes	Glucophage	850 mg 2x per day						
	Congestive Heart Failure	Lasix	40 mg per day						
Beneficiary #3									
National	Market Basket Total			\$1,276.80					
Boston, MA 02762-Bristol	Market Basket Total				\$1,056.40	\$220.40	-17.3%	\$820.40	-64.25%
Houston, TX 77204	Market Basket Total				\$1,056.40	\$220.40	-17.3%	\$820.40	-64.25%
	Hypertension/mild congestive heart failure	Lisinopril	20 mg per day						
	Coronary artery disease/congestive heart failure	Toprol XL	200 mg per day						
	Hypercholesterolemia	Lipitor	40 mg per day						
	Acid Reflux	Aciphex	20 mg per day						
Beneficiary #4									
National	Market Basket Total			\$1,926.00					
Boise, ID 83714	Market Basket Total				\$1,682.76	\$243.24	-12.6%	\$843.24	-43.78%
Greensboro, NC 27410	Market Basket Total				\$1,682.76	\$243.24	-12.6%	\$843.24	-43.78%
	Schizophrenia	Zyprexa	10 mg per day						
	Hypercholesterolemia	Lipitor	40 mg per day						
	Depression	Zoloft	50 mg per day						
Beneficiary #5³									
National	Market Basket Total			\$750.90					
Greenville, MS 38731	Market Basket Total				\$659.76	\$91.14	-12.1%	\$684.80	-91.20%
Adinaton, VA 22202 ³	Market Basket Total				\$616.88	\$134.02	-17.8%	\$688.00	-91.62%
	Anticoagulant	Coumadin	2.5 mg per day						
	Osteoarthritis	Celebrex	200 mg per day						
	Osteoporosis	Fosamax	70 mg per week						
Beneficiary #6									
National	Market Basket Total			\$1,537.20					
Clearwater, FL 33767	Market Basket Total				\$1,286.68	\$250.52	-16.3%	\$850.52	-55.33%
Cleveland, OH 44106	Market Basket Total				\$1,286.68	\$250.52	-16.3%	\$850.52	-55.33%
	Diabetes	Glucophage	850 mg 2x per day						
	Diabetes	Actos	30 mg per day						
	Hypercholesterolemia	Pravachol	40 mg per day						

(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 Plus™; 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. This monthly supply estimate was then adjusted to reflect 4 month supply estimate.

(2) Data Source: Medicare Price Compare 9/6/04, 30 day supply adjusted to reflect 4 month supply.

(3) Note: Illustrative beneficiary drug basket #5 has been modified from previous analyses to remove the drug Vioxx, since Vioxx was removed from the market as of September 30, 2004. The source for the replacement data including the drug Celebrex is Medicare Price Compare in the week of 9/27/04.

TABLE 2 - Low-Income Medicare Beneficiaries' (<=135% FPL) Estimated 4 Month Savings in 2004 (5th Lowest Price Card)

Illustrative Medicare Beneficiary/Residence	Conditions	Drugs	Dosing	4 Month Estimated Average National Retail Cost ¹	7 Month Estimated Average National Retail Cost ¹	4 Month Estimated Drug Discount Card Cost ²	7 Month Estimated Drug Discount Card Cost ²	4 Month \$ Savings From Discount Only	4 Month % Savings From Discount Only	4 Month Total Savings Including \$600	4 Month Total % Savings (Discount & \$600)
Beneficiary #1											
National	Market Basket Total			\$1,454.40	\$2,545.20						
Pittsburgh, PA 15122	Market Basket Total					\$1,172.24	\$2,004.10	\$2,051.42	\$282.16	-19.4%	\$882.16
Portland, OR 97202	Market Basket Total					\$1,172.24	\$1,993.39	\$2,051.42	\$282.16	-19.4%	\$882.16
	Osteoarthritis	Celebrex	200 mg per day								
	Hypercholesterolemia	Zocor	40 mg per day								
	Depression	Paxil	20 mg per day								
	Hypertension	Norvasc	5 mg per day								
Beneficiary #2											
National	Market Basket Total			\$522.00	\$913.50						
Louisville, KY 40205	Market Basket Total					\$480.28	\$804.44	\$840.49	\$41.72	-8.0%	\$473.97
Orange County, CA 90623	Market Basket Total					\$480.28	\$804.44	\$840.49	\$41.72	-8.0%	\$473.97
	Hypertension	Prinivil	20 mg per day								
	Diabetes	Glucophage	850 mg 2x per day								
	Congestive Heart Failure	Lasix	40 mg per day								
Beneficiary #3											
National	Market Basket Total			\$1,276.80	\$2,234.40						
Boston, MA 02762-Bristol	Market Basket Total					\$1,077.00	\$1,848.70	\$1,884.75	\$199.80	-15.6%	\$799.80
Houston, TX 77204	Market Basket Total					\$1,077.00	\$1,848.70	\$1,884.75	\$199.80	-15.6%	\$799.80
	Hypertension/mild congestive heart failure	Lisinopril	20 mg per day								
	Coronary artery disease/congestive heart failure	Toprol XL	200 mg per day								
	Hypercholesterolemia	Lipitor	40 mg per day								
	Acid Reflux	Aciphex	20 mg per day								
Beneficiary #4											
National	Market Basket Total			\$1,926.00	\$3,370.50						
Boise, ID 83714	Market Basket Total					\$1,707.80	\$2,944.83	\$2,988.65	\$218.20	-11.3%	\$818.20
Greensboro, NC 27410	Market Basket Total					\$1,707.80	\$2,944.83	\$2,988.65	\$218.20	-11.3%	\$818.20
	Schizophrenia	Zyprexa	10 mg per day								
	Hypercholesterolemia	Lipitor	40 mg per day								
	Depression	Zoloft	50 mg per day								
Beneficiary #5											
National	Market Basket Total			\$750.90	\$1,312.50						
Greenville, MS 38731	Market Basket Total					\$667.12	\$1,140.93	\$1,156.19	\$83.78	-11.2%	\$683.93
Arlington, VA 22202	Market Basket Total					\$663.04	\$1,085.07	\$1,134.56	\$87.86	-11.7%	\$685.17
	Anticoagulant	Coumadin	2.5 mg per day								
	Osteoarthritis	Celebrex	200 mg per day								
	Osteoporosis	Fosamax	70 mg per week								
Beneficiary #6											
National	Market Basket Total			\$1,537.20	\$2,690.10						
Clearwater, FL 33767	Market Basket Total					\$1,351.00	\$2,251.69	\$2,364.25	\$186.20	-12.1%	\$786.20
Cleveland, OH 44106	Market Basket Total					\$1,330.84	\$2,251.69	\$2,328.97	\$206.36	-13.4%	\$806.36
	Diabetes	Glucophage	850 mg 2x per day								
	Diabetes	Actos	30 mg per day								
	Hypercholesterolemia	Pravachol	40 mg per day								

(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. This monthly supply estimate was then adjusted to reflect 4 month supply estimate.

(2) Data Source: Medicare Price Compare 9/6/04, 30 day supply adjusted to reflect 4 month supply.

(3) Note: Illustrative beneficiary drug basket #5 has been modified from previous analyses to remove the drug Vioxx, since Vioxx was removed from the market as of September 30, 2004. The source for the replacement data including the drug Celebrex is Medicare Price Compare in the week of 9/27/04.