

# **Medicare-Approved Drug Discount Cards Provide Drug Prices Significantly Below Average Paid by Americans Seniors Can Now Get Lower Prices at their Local Pharmacies**

**Updated October 12, 2004**

## **Overview**

This study presents a comparison of prices from Medicare-approved discount cards to the national average prices paid by Americans in retail pharmacies and is an update of previous studies conducted during the early weeks of the implementation of the program. The main finding is that Medicare-approved drug discount cards continue to provide significant, reliable savings. The Medicare-Approved Prescription Drug Discount Card Program provides significantly lower prices than Americans pay on average at retail pharmacies. The national average prices for Americans used in this report include both the higher prices paid by cash paying customers without insurance, as well as the lower prices available through private and public health insurance. Consequently, savings reported in this study likely underestimate true savings available to people with Medicare without drug coverage as they typically do not have the opportunity to get negotiated discounts or to easily find the best prices for their drugs. This finding of savings at retail pharmacies is especially important because most Medicare beneficiaries fill their prescriptions through neighborhood retail pharmacies. The CMS findings are consistent with the findings from several independent analyses including those released over the last few months by the Henry J. Kaiser Family Foundation, The Lewin Group for the Healthcare Leadership Council, and the American Enterprise Institute.<sup>1</sup> 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).

- Our findings indicate that Medicare drug discount cards are now saving cardholders about 12 to 21 percent compared to the average market prices paid by Americans for brand name drugs (see Table 1). Our previous studies during the first few weeks of program implementation found savings of 11 to 18 percent.
- Annual dollar savings for beneficiaries can be substantial -- \$186.96 to \$945.96 per year – for the commonly used drugs and illustrative non-low-income beneficiaries in our analysis.

This analysis of the discounts available through the Medicare-approved drug discount cards compares the best Medicare-approved discount card prices reported by card

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<sup>1</sup> 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.

sponsors on the Price Compare website using randomly selected zip codes to data on national average retail pharmacy prices actually paid by Americans.

The national average retail pharmacy prices used in this comparison represent the total price paid to the pharmacy, regardless of whether the person had insurance or not. This average retail pharmacy price is generally lower than the “cash” prices paid by Medicare beneficiaries without drug coverage because it includes both the relatively high retail cash prices paid by people without insurance and the lower negotiated prices paid by people with insurance. If we compared Medicare-approved drug discount card prices to prices paid only by cash paying customers (i.e., those without drug coverage), the Medicare discounts would be larger, as was found in other studies discussed below.

### **Independent Drug Card Studies Confirm CMS Findings**

Analyses conducted by independent sources have found similar results of savings from the Medicare-approved drug discount card program. Henry J. Kaiser Family Foundation released a report on July 28, 2004 (Medicare Drug Discount Cards: A Work in Progress, July 28, 2004), indicating that all seven Medicare-approved discount drug card programs they examined "had prices that were significantly less than those reported by the Maryland Attorney General as typical retail prices." Further, the report indicates that beneficiaries could save 8 to 61 percent over these typical retail prices for the 10 drugs they studied. Another report, prepared by The Lewin Group for the Healthcare Leadership Council and released on August 12, 2004, indicated savings, on average, of over 20 percent. Lewin found that nationally, the best Medicare-approved drug discount cards offer savings of almost \$10 per prescription, representing a discount of more than 20 percent overall. More than half of the drug discount cards yield savings of over \$8.48 (over 17 percent) per prescription. Another study finding was that, across the 150 drugs most commonly prescribed to seniors, the best available price from any card sponsor represents an average savings per prescription of over \$17 (23 percent). A report published by the American Enterprise Institute for Public Policy Research (Private Discounts, Public Subsidies: How the Medicare Prescription Drug Discount Card Really Works, 2004) also indicates that real savings are available for beneficiaries, particularly low-income beneficiaries.

### **Price Compare and 1-800-MEDICARE are Sources of Information on Discounts**

The Medicare-Approved Drug Discount Card Program and its Price Compare feature – the website and telephone assistance available through 1-800-MEDICARE – are designed to help people with Medicare lower their drug costs. The price comparison most important to beneficiaries is the comparison between what they are paying now, and what they could pay with the drug card of their choice. Price Compare is a unique tool that allows users to do customized searches for the drug cards offering them the best prices available for their prescription medicine(s). Making price comparisons on a drug-by-drug basis is difficult for the many beneficiaries who take multiple medications, and Price Compare permits comparisons involving multiple drugs. Price Compare provides this information for the retail pharmacy setting, where most Medicare beneficiaries purchase their drugs, as well as for mail order should beneficiaries be interested. In addition to offering information on generic alternatives when available, the Price Comparison

website has a new feature that provides information on less costly alternatives to brand name drugs. This feature can be a valuable source of information for beneficiaries to discuss with their doctor.

Beneficiaries can get help in finding the Medicare-approved card that is best for them, and additional sources of drug savings by calling 1-800-MEDICARE or by visiting [www.medicare.gov](http://www.medicare.gov). If they call and provide just their zip code and names of their medications and dosages, and, if potentially eligible for the \$600 credit, their annual income, Medicare's customer service representatives will provide specific information on the best cards available to beneficiaries. In less than 15 minutes, one of the 3,000 Medicare customer service representatives can walk through the top drug card options to find the card that's best for each beneficiary. Card sponsors must assure people with Medicare that they will pay no more than the discounted prices listed on Price Compare. The price the beneficiary ultimately pays may be even lower.

Card sponsors are offering great savings on comprehensive lists of drugs commonly needed by people with Medicare. Beneficiaries should go ahead and choose a card to start to get savings now. By enrolling now in 2004, low-income beneficiaries who may qualify for the annual \$600 in assistance can achieve even more savings, as they will be able to receive a total of \$1,200 until the Medicare prescription drug benefit is implemented in January 2006. Discount cards are activated at the beginning of the month after enrollment materials are received. The Medicare-Approved Drug Discount Card Program has proven savings to offer beneficiaries and also provides advice that makes the decision process effective.

### **Preliminary Analysis**

To assess what level of savings can be achieved through Medicare-approved drug discount cards, we examined several illustrative beneficiaries across the country. The best Medicare-approved discount card prices found on Price Compare are significantly lower than the national average retail pharmacy prices that typical Americans pay -- including the higher prices paid by cash paying customers and the lower negotiated prices paid by people with insurance coverage. The retail pharmacy prices under the Medicare drug discount card program need to be compared to other retail pharmacy prices in order for a true comparison to be made.

A major national source of reliable data on retail pharmacy prices currently in the market today is IMS Health's National Prescription Audit *Plus*<sup>TM</sup>. The Food and Drug Administration (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.<sup>2</sup> 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*<sup>TM</sup> on brick-and-mortar retail pharmacies (i.e. chain, independent and foodstore pharmacies, excluding internet, mail order and long-term care pharmacies).

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<sup>2</sup> FDA website accessed May 3, 2004 at <http://www.fda.gov/cder/consumerinfo/SavingsFromGenericDrugs.pdf>.

These data represent the full price paid at the pharmacy by both the customer and the insurer, if any.<sup>3</sup> 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. 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.

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

Consistent with findings from the early weeks of the drug discount card program, CMS continues to find that many Medicare-approved drug discount cards provide significantly lower drug prices to beneficiaries without drug coverage over what they currently pay in retail pharmacies. These demonstrated savings assure that beneficiaries without prescription drug insurance will not have to pay the highest prices any more – and in addition, if they have limited incomes, they can qualify for a \$600 annual credit to be applied automatically to their drug purchases.

Table 1 indicates that savings of about 12 to 21 percent can be achieved on monthly prescription drug costs from Medicare drug discount cards for six illustrative Medicare beneficiaries. These examples generally involve brand name drugs, with the exception of beneficiary #3 who takes lisinopril, a generic drug. In just one month, most of these beneficiaries saved more than the maximum enrollment fee of \$30. In fact, cards charging less than \$30, including no enrollment fee, were found to offer similar levels of savings. As Medicare beneficiaries without drug coverage typically face high drug prices (generally higher than the average prices paid by Americans), these illustrations show that the new discount cards can bring them real savings until the Medicare drug benefit is implemented in 2006.

Our results mean that Medicare beneficiaries without prescription drug coverage will no longer have to pay the highest retail prices for their prescription drugs – they can now pay drug prices significantly better than average, and lower-income beneficiaries who enroll in a discount card will receive the benefit of discounts and an additional \$1200 total in 2004 and 2005 to assist them with their prescription drug spending.

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<sup>3</sup> The IMS data is a measure of pharmacy revenues, and does not include the effect of manufacturer rebates, which are generally retrospective.

## **Illustrations**

The following examples illustrate potential savings for Medicare beneficiaries using a Medicare-approved prescription drug discount card:

- A typical person taking Celebrex (osteoarthritis), Zocor (high cholesterol), Paxil (depression), and Norvasc (hypertension) on average pays \$363.60 each month for these drugs at a retail pharmacy according to the IMS Health data used in the FDA analysis. A Medicare beneficiary taking these medications who lives in Pittsburgh could enroll in a Medicare-approved drug discount card and pay \$286.30, a 21.3 percent savings over the national average. This represents savings of \$77.30 every month or \$927.60 per year.
  
- A typical person taking Glucophage (diabetes), Actos (diabetes), and Pravachol (hypercholesterolemia) on average pays \$384.30 per month for these drugs at a retail pharmacy. A Medicare beneficiary taking these medicines residing in Clearwater, Florida, could enroll in a Medicare-approved discount card and save about 16 percent. This beneficiary could save \$62.63 per month, or \$751.56 per year, over what the typical American would pay.

**TABLE 1 - PRICE COMPARISON RETAIL PHARMACIES -- NON-LOW-INCOME**

Illustrative Medicare Beneficiary/Residence	Conditions	Drugs	Dosing	National Retail Average Monthly Price <sup>1</sup>	Medicare Drug Discount Card Monthly Price <sup>2</sup>	% Savings Drug Card vs. Average Retail Market	Monthly Dollar Savings
<b>Beneficiary #1</b>							
National	<b>Market Basket Total</b>			<b>\$363.60</b>			
Pittsburgh, PA 15122	<b>Market Basket Total</b>				<b>\$286.30</b>	<b>-21.3%</b>	<b>\$77.30</b>
Portland, OR 97202	<b>Market Basket Total</b>				<b>\$284.77</b>	<b>-21.7%</b>	<b>\$78.83</b>
	Osteoarthritis	Celebrex	200 mg per day				
	Hypercholesterolemia	Zocor	40 mg per day				
	Depression	Paxil	20 mg per day				
	Hypertension	Norvasc	5 mg per day				
<b>Beneficiary #2</b>							
National	<b>Market Basket Total</b>			<b>\$130.50</b>			
Louisville, KY 40205	<b>Market Basket Total</b>				<b>\$114.92</b>	<b>-11.9%</b>	<b>\$15.58</b>
Orange County, CA 90623	<b>Market Basket Total</b>				<b>\$114.92</b>	<b>-11.9%</b>	<b>\$15.58</b>
	Hypertension	Prinivil	20 mg per day				
	Diabetes	Glucophage	850 mg twice per day				
	Congestive Heart Failure	Lasix	40 mg per day				
<b>Beneficiary #3</b>							
National	<b>Market Basket Total</b>			<b>\$319.20</b>			
Boston, MA 02762-Bristol	<b>Market Basket Total</b>				<b>\$264.90</b>	<b>-17.0%</b>	<b>\$54.30</b>
Houston, TX 77204	<b>Market Basket Total</b>				<b>\$265.08</b>	<b>-17.0%</b>	<b>\$54.12</b>
	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				
<b>Beneficiary #4</b>							
National	<b>Market Basket Total</b>			<b>\$481.50</b>			
Boise, ID 83714	<b>Market Basket Total</b>				<b>\$422.77</b>	<b>-12.2%</b>	<b>\$58.73</b>
Greensboro, NC 27410	<b>Market Basket Total</b>				<b>\$422.77</b>	<b>-12.2%</b>	<b>\$58.73</b>
	Schizophrenia	Zyprexa	10 mg per day				
	Hypercholesterolemia	Lipitor	40 mg per day				
	Depression	Zoloft	50 mg per day				
<b>Beneficiary #5</b>							
National	<b>Market Basket Total</b>			<b>\$188.40</b>			
Greenville, MS 38731	<b>Market Basket Total</b>				<b>\$164.94</b>	<b>-12.5%</b>	<b>\$23.46</b>
Arlington, VA 22202	<b>Market Basket Total</b>				<b>\$154.22</b>	<b>-18.1%</b>	<b>\$34.18</b>
	Anticoagulant	Coumadin	2.5 mg per day				
	Osteoarthritis	Celebrex	200 mg per day				
	Osteoporosis	Fosamax	70 mg per week				
<b>Beneficiary #6</b>							
National	<b>Market Basket Total</b>			<b>\$384.30</b>			
Clearwater, FL 33767	<b>Market Basket Total</b>				<b>\$321.67</b>	<b>-16.3%</b>	<b>\$62.63</b>
Cleveland, OH 44106	<b>Market Basket Total</b>				<b>\$321.67</b>	<b>-16.3%</b>	<b>\$62.63</b>
	Diabetes	Glucophage	850 mg twice 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.

(2) Data Source: Medicare Price Compare 09/13/04

(3) 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 09/27/04.