



## *BETTER BENEFITS – MORE CHOICES*

*Good News about the Medicare Prescription Drug, Improvement and Modernization Act of 2003!*

### **New Study Estimates Savings may be Greater than Expected on Out-of-Pocket Drug Spending with the Medicare-Approved Drug Discount Card Program**

A recently released study in *Health Affairs*, a bimonthly, peer-reviewed journal of health policy, estimates that if seniors who currently lack prescription drug coverage enroll in a Medicare-approved drug discount card program, they can expect to reduce their out-of-pocket drug spending by approximately 17.4 percent. Centers for Medicare and Medicaid Services (CMS) previously estimated that beneficiaries would reduce their overall drug spending by 10 to 15 percent with the cards.

The study, conducted by Harvard Medical School Researchers, is based on an examination of data from the 2000 Medicare Current Beneficiary Survey (MCBS).

- ❖ According to the researchers, seniors in 2000 without drug coverage spent an average of \$672 on prescription medications. Applying discounts similar to those expected in the Medicare-approved drug discount program, the researchers estimate that seniors in 2000 would have saved \$117 each on average, or 17.4%.
- ❖ CMS estimates that the average beneficiary without drug coverage will spend \$1,400 in 2004, meaning that the per-beneficiary savings will average \$238, based on the same 17.4 percent rate.
- ❖ According to the study, the drug cards will likely provide the greatest relief to low-income beneficiaries and beneficiaries with poor health and high prescription drug costs.
- ❖ Significantly, these savings estimates do not take into account the fact that low-income seniors will receive a \$600 subsidy, in addition to the discount. Therefore, low-income seniors will actually save far more than the discount rate the study estimates. Additionally, the study does not factor in any annual enrollment fees seniors may pay, or changes in drug use in response to lower retail prices seniors will face, which could slightly offset total beneficiary savings.
- ❖ The study cautions that there will be a great deal of variation in savings around the average.
  - » For example, the study estimates that seniors will save an average of 41 percent off the retail price of generic drugs and 14 percent off the retail price of brand name pharmaceuticals.

- » However, because brand name prices are higher, the savings in dollars will on average be greater on brand name drugs (\$83 in the estimated \$117 in average savings).
- ❖ **The study estimates that overall, the drug card program may reduce out-of-pocket costs by as much as \$1 billion a year.**
  - » Here, there is a pretty large range - from \$75 million to \$1 billion - based on assumptions about participation rates (10 percent (CBO) vs. 75 percent (CMS)).
- ❖ It should be noted that these figures are based on beneficiary spending in 2000.
- ❖ **Updating these figures to 2004 would roughly double the aggregate savings.** It is also worth noting, once again, that this estimate of aggregate savings only looks at discounts off retail prices and ignores the \$600 per beneficiary per year subsidy to individuals with incomes less than 135 percent of the Federal poverty level.
- ❖ The Medicare-approved drug discount cards mark the first stage the new comprehensive Medicare Modernization Act signed into law last December. **The cards go into effect June 1 and will offer seniors much-needed discounts and information on brand name and generic prescription drugs.**