



## Medicare: Today's Issue

May 6, 2004

### *BETTER BENEFITS – MORE CHOICES*

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

#### **Medicare-Approved Drug Discount Card Delivering Discounts New Cards Show Savings Over Current Drug Prices**

According to the Centers for Medicare and Medicaid Services (CMS), the first analysis **comparing the Medicare-approved drug discount cards with the current prices for prescription medicines shows savings of at least 10 to 17 percent for brand name drugs and far larger savings for generic drugs compared with the average prices paid by all Americans**, including Americans who pay full retail at the pharmacy and those with access to lower drug prices through public and private insurance plans.

Until now, drug prices available to Medicare beneficiaries have tended to be significantly higher than the average prices paid by Americans, especially the prices for beneficiaries without drug coverage, because Medicare beneficiaries without coverage did not have the opportunity to get negotiated discounts or to easily find the best prices for their drugs.

**Medicare beneficiaries can, for the first time, get significantly lower prices than average Americans through the Medicare-approved drug discount cards at their local retail pharmacies.** The average prices for Americans used in this report include full retail prices as well as discounts available through private health insurance, Medicaid plans, and other sources.

The CMS findings show **10 to 17 percent savings for brand name drugs off national average retail pharmacy prices** can be obtained from the Medicare drug discount cards. In just one month, most of these beneficiaries will save more than the maximum enrollment fee of \$30. Savings compared with the average prices paid by Americans for generic drugs are even larger, ranging between 30 and 60 percent.

**Under the new drug card program, beneficiaries will no longer be paying the highest prices in the drug store.** Even greater savings are available to low-income beneficiaries who qualify for the \$600 annual credit this year and next, in addition to discounts from many drug manufacturers.

The data used to calculate average retail prices reflects the fact that Americans with public and private insurance generally get significant discounts off the retail "list" prices. Discounts are typically based on an amount or percentage of the Average Wholesale Price (AWP). Thus, many Americans pay less than AWP for their drugs, and therefore average retail prices are typically lower. **The drug cards provide discounts of 15 to 20 percent or more off the Average**

**Wholesale Price (AWP) for brand name drugs, and far larger AWP discounts for generic drugs.** The 10 to 17 percent range of savings off average retail, and the 15 to 20 percent savings off AWP assure us that the savings we observe are significant and consistent.

**Larger discounts off AWP are available on mail-order drugs through the Medicare-approved drug cards, and these discounts translate into even lower actual prices for beneficiaries who prefer mail-order services.** Mail-order prescriptions are generally less expensive, because they are available less quickly, in higher volumes, and without face-to-face help and advice from a pharmacist. **CMS findings demonstrate that mail order prescriptions through the Medicare-approved cards show savings between 9.9 percent and 12.9 percent greater than such widely reported sources as drugstore.com and costco.com.** Costco.com has a \$45 membership fee, compared with the annual enrollment fee of at most \$30 for Medicare-approved cards.

All Medicare beneficiaries, except those who have outpatient drug coverage through Medicaid, can now enroll in a Medicare-approved drug discount card program. **Beneficiaries who enroll by the end of May will be fully eligible for the discounts and financial assistance beginning in June. While it may be advantageous to enroll early, if beneficiaries want more time to make a decision, they can choose to enroll after June 1.** The card sponsors may charge an annual enrollment fee of no more than \$30, though many cards have lower fees and some have no fee. There is no enrollment fee on any card for people who qualify for the \$600 credit.

To help them **compare the discounted prices negotiated by the card sponsors, as well as the enrollment fees, and other discount card features, beneficiaries can go to [www.medicare.gov](http://www.medicare.gov) or call 1-800-MEDICARE (1-800-633-4227).** They can also compare the prices of drugs being charged at their local pharmacies and find out which cards their local pharmacies honor. The card sponsors provide the pricing and pharmacy information to CMS and that information is being updated weekly.

Interest in the Medicare-approved drug discount program has been high. **On Monday, May 3, 1-800-MEDICARE received an all time high of nearly 408,000 calls, almost 8 percent of the 5.9 million calls received during all of 2003.** More than 327,000 calls were received on Tuesday, May 4. Traffic on [www.medicare.gov](http://www.medicare.gov) has also been high, more than 1.7 million page hits were received on Monday.