

Congress of the United States
House of Representatives
Washington, D.C. 20515

April 29, 2004

Medicare Drug Cards Provide Little or No Savings for Seniors

Dear Democratic Colleague:

The Center for Medicare and Medicaid Services today released its new website containing pricing information on the new Medicare drug discount cards. The Bush Administration has claimed that the cards will save seniors up to 25% off of retail prices on prescription drugs.

A new analysis by the minority staff of the House Committee on Government Reform indicates that the savings from the cards are largely illusory.

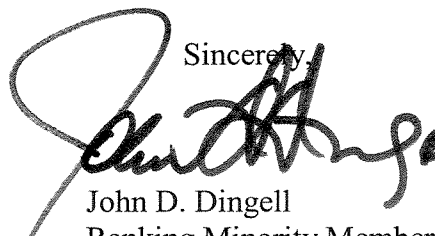
The analysis finds that the prices available with the new Medicare discount drug cards are at least 60% higher than the prices available to consumers in Canada or to the federal government through the Federal Supply Schedule. It also shows that prices at outlets such as Drugstore.com and Costco.com are already less expensive than the drug card prices. These price differences are even starker when the annual fees for the cards, which range from \$20 to \$30, are taken into account.

A copy of the new analysis is attached. If you have any questions regarding these findings, please contact Brian Cohen of the minority staff of the Committee on Government Reform at (202) 225-5051.

Sincerely,



Henry A. Waxman
Ranking Minority Member
Committee on Government
Reform



John D. Dingell
Ranking Minority Member
Committee on Energy and
and Commerce



Charles B. Rangel
Ranking Minority Member
Committee on Ways and
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MINORITY STAFF
COMMITTEE ON GOVERNMENT REFORM
U.S. HOUSE OF REPRESENTATIVES
APRIL 2004

Summary

New Medicare Drug Cards Offer Few Discounts

BACKGROUND

The new Medicare legislation passed by Congress in November 2003 contained a provision allowing private companies to sell “discount drug cards” to seniors and disabled individuals on Medicare. These cards have been the subject of controversy regarding the size of the discounts they will provide to beneficiaries. Medicare officials have indicated that the drug cards would provide Medicare recipients with “discounts of 10 to 25 percent on prescription drugs,”¹ while card manufacturers have indicated that beneficiaries who use Medicare discount cards are “likely to see average discounts of 17 percent.”² However, the General Accounting Office, the investigative arm of Congress, has found that the discounts provided by drug cards are extremely small.³

Medicare-approved discount drug cards will be available in June 2004. On April 29, 2004, the U.S. Department of Health and Human Services released, for the first time, pricing information from all Medicare-approved drug cards.

At the request of Rep. Henry A. Waxman, this analysis compares the prices that Medicare beneficiaries will obtain using the new drug cards to other discounted prices and to prices presently available to seniors. The analysis finds that the prices available with the new Medicare discount drug cards are far higher than the prices available in Canada and the prices negotiated by the federal government on the Federal Supply Schedule, and are no lower than the prices currently available to individuals who do not have the cards.⁴

¹ CMS, *Medicare Fact Sheet: Medicare Prescription Drug Discount Card and Traditional Assistance Program* (Mar. 2004).

² Pharmaceutical Care Management Association, *PCMA Launches New Drug Discount Card Advertising Campaign* (Apr. 20, 2004) (online at http://www.pcmanet.org/2004_addReleases/press_64.asp).

³ General Accounting Office, *Prescription Drug Discount Cards: Savings Depend on Pharmacy and Type of Cards Used* (Sept. 2003) (GAO-03-912).

⁴ In addition to the new Medicare discount cards, which can be obtained by all beneficiaries, the legislation also provides a \$600 subsidy for low-income beneficiaries, which will be administered via the discount cards. This analysis does not take into account the impact of the \$600 subsidy, which is not available to most beneficiaries.

METHODOLOGY

This analysis compares prices available to beneficiaries who purchase Medicare-approved drug discount cards to prices that are presently available to seniors who do not have the cards. The analysis uses prices from drug cards run by two large PBMs, ExpressScripts (the Pharmacy Care Alliance Card) and Medco (the RxSavings Card), as well as a drug card run by the PBM Walgreens Health Initiative (WHI), an affiliate of the pharmacy chain Walgreens. Although there are a number of other available Medicare-approved discount drug cards, the prices charged by these three cards are typical of those charged by all Medicare-approved cards. Prices were obtained for zip codes in five locations: Ohio, Pennsylvania, Washington, New Mexico, and Washington, D.C. Because the three cards analyzed were national drug cards, there is little variation in prices at these locations. In cases where there are variations, the lowest price charged by the card is used for comparison purposes.

The analysis compares the drug card prices to three other sets of prices. First, it compares the drug card prices to those that individuals would pay for the same drug in Canada. Second, it compares prices to those for drugs purchased by the federal government on the Federal Supply Schedule (FSS). The FSS prices are negotiated by the Department of Veterans Affairs, and are available to a number of federal government agencies, including the VA, DOD, and the Coast Guard. These prices are indicative of the prices available when an aggressive negotiator, such as the federal government or a private insurance company, is negotiating on behalf of payers. Finally, it compares the prices available with the new Medicare drug cards to those currently available through discount retail outlets such as Drugstore.com and Costco.com.

The drugs examined in this analysis are a one-month supply of the top ten name-brand drugs used by seniors.⁵

Comparison of Drug Card Prices to Prices in Canada

Prices that Medicare beneficiaries will pay with the new drug cards are significantly higher than prices paid by consumers in Canada (Figure 1). Overall, a selection of a one month supply of each of the ten drugs purchased in Canada would cost \$596. The prices for the same drugs from the three drug cards are at least \$972 with the Walgreens card, at least \$1,046 with the RxSavings card, and at least \$1,061 with the Pharmacy Care Alliance Card. The average price for the drugs from the three drug cards is \$1,026, \$430 more than in Canada. In percentage terms, the average drug card prices are 72% greater than the Canadian prices. Of the three cards analyzed, the Walgreens card has the lowest prices. But even prices with this card are over 60% higher than Canadian prices.

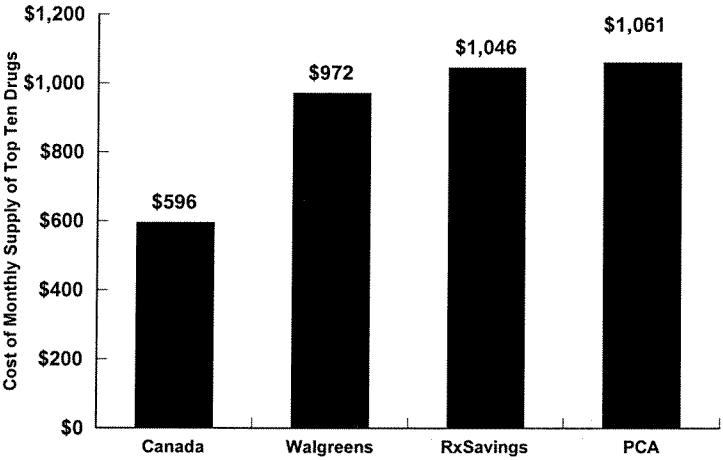
For specific drugs, the price differences can exceed 100%. For example, a one-month supply of Celebrex, the arthritis drug, would cost at least \$81.28 with the Walgreens card, and only \$38.69

⁵ These drugs are Aricept, Celebrex, Fosamax, Lipitor, Nexium, Novasc, Plavix, Prevacid, Protonix, and Zocor (Pennsylvania Department of Aging, PACE Program, *2003 High Cost and High Volume Claims* (Feb. 2004).

in Canada. A one-month supply of Prevacid, the ulcer medication, would cost at least \$129.68 with the Pharmacy Care Alliance card, and only \$56.54 in Canada.

Appendix 1 contains further detail on prices with the new drug cards compared to prices in Canada.

Figure 1: Prices with the New Medicare Drug Cards Are Significantly Higher than Canadian Prices



Comparison of Drug Card Prices to Federal Supply Schedule Prices

The prices offered by the new Medicare drug cards are also significantly higher than the prices paid by the Federal Government under the Federal Supply Schedule (FSS). These FSS prices are indicative of the prices available when the federal government negotiates on behalf of payers for a low price. The market basket of ten drugs purchased via the Federal Supply Schedule would cost only \$587, compared to an average cost of \$1,026 with the new drug cards. This means that the average price that beneficiaries pay with the three Medicare discount cards is 75% higher than the FSS prices. Of the three cards analyzed, the Walgreens card has the lowest prices. But even prices with this card are 65% higher than FSS prices.

For individual drugs, the prices differences can exceed 100%. A one-month supply of Protonix, an ulcer medication, costs only \$44 under the Federal Supply Schedule, and will cost \$100 or more with the new drug cards.

Appendix 1 contains further detail on prices with the new drug cards compared to prices on the Federal Supply Schedule.

Comparison to Prices Currently Available to Medicare Beneficiaries

Analysis of the pricing data for several national drug cards indicates that the prices offered by these cards are even higher than other prices currently available to Medicare beneficiaries, such as Drugstore.com or Costco.com.

A selection of each of the ten best selling name brand drugs for seniors would cost seniors at least \$972 with the Walgreens card, at least \$1,046 with the RxSavings card, and at least \$1,061 with the Pharmacy Care Alliance card,. But the same market basket of drugs is less expensive at Drugstore.com. The ten drugs cost \$959 at Drugstore.com. And the drugs cost \$990 at Costco.com — with no annual fees. Table 1.

Drug Source	Price for Market Basket of Top Ten Drugs	Annual Fee	Total Cost, Including Annual Fee
Drugstore.com	\$959	\$0	\$959
Costco.com	\$990	\$0	\$990
Walgreens	\$972	\$20	\$992
RxSavings	\$1,046	\$29.95	\$1075.95
Pharmacy Care Alliance	\$1,061	\$19	\$1,080

Differences for individual drugs can be even larger. The Walgreens card will charge \$67.44 for a one-month supply of Lipitor. But this drug is available from Drugstore.com for \$62.99. Similarly, Prevacid will cost at least \$129.68 with the Pharmacy Care Alliance card, but only \$122.57 at Costco.com.

Appendix 1 contains further detail on prices available with the new drug cards compared to prices available via Drugstore.com or Costco.com.

The drug cards do offer a mail order option with lower prices. The costs for drugs purchased by mail order with new Medicare prescription drug cards are lower than costs for drugs purchased with the cards through retail outlets. However, ordering the drugs via mail requires purchasing at least a three-month supply, which in most cases costs \$300 or more. Moreover, these mail order prices do not represent significant discounts. For example, the cost of a three month supply of the ten drugs via mail order is \$2,664 with the Walgreens card, \$2,850 with the Pharmacy Care Alliance Card and \$2,889 with the RxSavings card. The cost of the drugs from Drugstore.com is \$2,771. This comparison indicates that either mail order prices are still higher with the drug card, or there is no significant cost difference.

CONCLUSION

This analysis compares discounted prices and prices currently available to Medicare beneficiaries with the prices that will be available with the new Medicare discount drug cards. It finds that the prices with the cards are far higher than discounted prices, such as those available in Canada or via the Federal Supply Schedule. And it finds that Medicare beneficiaries already have access to the same prices offered by the discount drug cards, through outlets such as Drugstore.com and Costco.com. Thus, the new Medicare discount drug cards appear to offer few advantages.

Appendix: Drug Prices with Medicare Discount Drug Cards and from Other Sources

Drug	Preliminary Prices: New Medicare Cards			Other Available Prices			
	Pharmacy Care Alliance	Walgreens	RxSavings	Drugstore.com	Costco.com	Federal Supply Schedule	Canada
Aricept (10 mg, 30 cap)	\$139.11	\$135.36	\$132.39	\$127.99	\$141.69	\$76.51	\$119.04
Celebrex (200 mg, 30 cap)	\$121.80	\$81.28	\$85.07*	\$76.99	\$80.07	\$62.60	\$38.69
Fosamax (70 mg, 4 cap)	\$70.65	\$62.95	\$67.62	\$64.99	\$67.89	\$40.10	\$39.43
Lipitor (10 mg, 30 cap)	\$71.19	\$67.44	\$74.72	\$62.99	\$68.47	\$36.48	\$49.85
Nexium (40 mg, 30 cap)	\$126.04	\$127.05	\$121.73*	\$120.99	\$125.47	\$79.62	\$64.73
Norvasc (5 mg, 30 cap)	\$46.86	\$42.99	\$50.36	\$42.99	\$44.59	\$24.52	\$39.43
Plavix (75 mg, 30 cap)	\$122.50	\$118.75	\$118.27	\$114.99	\$119.19	\$99.66	\$67.70
Prevacid (30 mg, 30 cap)	\$130.68	\$111.63	\$147.01	\$120.99	\$120.27	\$53.90	\$56.54
Protonix (40 mg, 30 cap)	\$103.58	\$99.83	\$124.89	\$98.89	\$97.27	\$44.31	\$56.54
Zocor (40 mg, 30 tab)	\$128.69	\$124.94	\$124.32	\$123.99	\$123.47	\$69.27	\$63.98
Market Basket Price	\$1,061.10	\$972.22	\$1,046.38	\$955.80	\$988.38	\$586.97	\$595.94

* Because accurate pricing data for the 200 mg size of Celebrex and the 40 mg size of Nexium do not appear to be available for the RxSavings card, these prices are for the 100 mg size of Celebrex and the 20 mg size of Nexium.