

**Statement of
Sharman Stephens, M.P.H.
Senate Aging Committee
Drug Card Forum
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Good afternoon thank you for inviting me to discuss the analyses we have conducted regarding the level of savings available to Medicare beneficiaries enrolling in Medicare-approved drug discount cards.

Savings of 12 to 21 Percent on Commonly Used Drugs

My remarks this afternoon will focus on a series of CMS studies that have examined the level of savings available to Medicare beneficiaries through these cards. We have examined prices offered by the Medicare-approved cards from a variety of angles. In the initial weeks of program implementation we found that overall, for non-low-income beneficiaries, absent the \$600 in transitional assistance, savings of 11 to 18 percent were possible over national average retail pharmacy prices for the illustrative baskets of commonly used drugs we examined. We re-examined the prices posted on the Medicare comparison website last week for the same sets of commonly used drugs examined previously. As shown on the chart, we found that savings are now ranging from almost 12 percent to over 21 percent. Our point of comparison in these analyses is to the national average retail prices, which include both the higher prices paid by people without insurance and the lower prices paid by people with private and public insurance. As a result, we would expect beneficiary savings to be larger for those who are currently paying cash prices at retail pharmacies.

Savings of 44 to 92 Percent on Commonly Used Drugs With \$600 Assistance

As you can see on the right side of the chart, because of the annual \$600 in transitional assistance, the savings for low-income beneficiaries are even greater. Using data from last week and estimating for the four-month period from September through December 2004 we found that when the discounts and the \$600 in transitional assistance are considered, low-income beneficiaries during this period can save from nearly 44 to 92 percent compared to national average retail prices. These savings can be substantially greater for some beneficiaries when the special very low pricing arrangements on over 200 drugs now being offered by several brand-name pharmaceutical manufacturers in coordination with the Medicare discount card programs are considered. Forty-six of these drugs are among the top 200 drugs used by the 65 and over population.

Greater Savings With Generic Drugs

It is also important to note that generic drugs offer all beneficiaries a chance to save even more on their drug costs. As shown on the second chart, in a June study on generic drugs we found that those who can switch to generic drugs can save 46 to 92 percent over the cost of brand name drugs we examined. We also found that those beneficiaries already taking generic drugs could save 37 to 65 percent over national average retail pharmacy prices by enrolling in a Medicare-approved discount drug card. Again as a quick update,

based on prices posted last week, we saw commonly used generic drugs with savings of 45 to almost 75 percent. This is shown on the right side of the chart.

Medicare-Approved Drug Card Prices Beat Popular Mail Order Prices

Because some beneficiaries may choose to get their prescriptions through mail order we have also examined the mail order market. Our analyses found that Medicare-approved drug card prices for mail order consistently beat the prices offered by popular mail order pharmacies. For example, using 10 commonly used drugs we found that the best Medicare-approved drug cards had prices on these drugs ranging from 5 to 33 percent lower than drugstore.com and 11 to 34 percent lower than Costco.com. This third chart illustrates the savings in dollars for a few commonly used drugs, Celebrex, Prevacid, Norvasc, and Zocor. In addition, often, the retail pharmacy prices of the Medicare cards with the best prices beat the mail order prices of popular Internet service pharmacies.

Beneficiaries with Common Health Conditions Save 10 to 75 Percent

Our research has also examined the prices from the perspective of medicines used to treat common health conditions, such as diabetes, hypertension, heart disease, and osteoporosis. Again updating a prior study, using prices posted on the web last week, we found that beneficiaries with nine common chronic conditions can save anywhere from about 10 to 75 percent over national average retail pharmacy prices for drugs often used to treat these ailments, including finding discounts of more than 20 percent on some brand name drugs. Our final chart shows savings for four common conditions. For example, for beneficiaries using medications to treat high cholesterol we are seeing savings per monthly prescription of \$14 to \$42. Even at the 5th card down the list we saw per prescription savings of \$10 - \$42.

Medicare-Approved Cards Offer Comprehensive and Stable Coverage

We have also recently examined drug card program coverage of the top 100 drugs. It is comprehensive coverage and this coverage has been stable between June and September.

Medicare-Approved Cards Offer Reliable Savings, Particularly for Those With Low Incomes

As you can see, our analyses show that the discount drug cards offer substantial reliable savings to Medicare beneficiaries, and particularly those with low incomes who are eligible for the annual \$600 in transitional assistance and special manufacturer programs.

Thank you for the opportunity to participate in today's forum. I would be happy to answer any questions about our analyses.