

**Statement (as prepared) of
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Senate Aging Committee
Medicare-Approved Prescription Drug Discount Card Forum
September 23, 2004**

Chairman Craig, Senator Breaux, {distinguished Committee members}, thank you for inviting me here today to discuss the substantial savings available to Medicare beneficiaries through the Medicare Prescription Drug Discount Card and the Transitional Assistance Program. I especially want to thank this committee for its hard work on the Medicare Prescription Drug, Improvement, and Modernization Act of 2003, and your support for CMS as we work to implement this important new law as effectively as possible.

Over three months ago Medicare beneficiaries began receiving discounts on their prescriptions through the Medicare-approved drug card program as an important first step toward comprehensive Medicare prescription drug coverage. This voluntary drug card program is providing immediate relief to seniors and disabled people covered under Medicare. I am happy to report that the discount drug cards have successfully reduced the cost of prescription drugs for over 4.4 million Medicare beneficiaries and that number is growing by about 10,000 new enrollees a day.

Big Savings for Medicare Beneficiaries

For the first time, Medicare beneficiaries without drug coverage are realizing big savings on their prescription drugs. We at CMS are pleased that our latest research has found that seniors could save 12 to 21 percent now on sets of brand name drugs compared to national average retail pharmacy prices and much more through the use of generics and mail order pharmacies. And our latest study found that beneficiaries can save 10 to 75 percent over national average retail pharmacy prices for individual drugs often used to treat some common health conditions. You'll hear more about this and our other CMS studies from Sharman Stephens of my staff and about external studies from several independent groups shortly. It's exciting to note that all of the research has consistently shown great savings for beneficiaries. No matter which methodology or mix of drugs is used – brand versus generic, baskets versus individual drugs, weighted by volume sales or not – all methodologies yield very similar findings. These price reductions are on the drugs that beneficiaries use commonly, including many drugs not included in the formularies of government-run drug plans.

Because of the cards, for the first time, price transparency is part of the prescription drug market. And, the new Medicare-approved drug discount cards offer Medicare beneficiaries the ability – for the first time – to band together and comparison-shop to meet their drug needs. Purchasing power combined with competitive pressures and the public release of drug prices has driven prices down, leading to better deals, volume discounts, and savings for our seniors.

As important as those savings are to seniors, the discount drug card has even more to offer those with limited means and no drug coverage. This includes \$600 in cash assistance right on the card – it works similar to a debit card – and \$600 more in assistance next year. On top of that, after the \$600 is used, Medicare cards have worked with drug manufacturers to provide additional wraparound discounts. This is thousands of dollars in help available right now with drug costs – patients don’t have to choose anymore between paying for their drugs and paying for other basic necessities. And because we know that every dollar counts, the cards are free for low-income beneficiaries. We at CMS, along with the 85 national organizations in the Access to Benefit Coalition urge every low-income beneficiary who is eligible for a Medicare drug discount card with the \$600 annual credit to take advantage of these savings now.

Simple Steps To Start Saving

The great savings offered by the drug cards, however, are only available to those who choose them. That’s why we are working hard to ensure seniors, their families, and caretakers have all the information they need to make an informed decision and select the card that works best for them. Despite inaccurate information to the contrary, if you’re on Medicare and you’re struggling with drug costs, you should know that signing up is as simple as calling 1-800-MEDICARE with three pieces of information - their zip code, their drugs and dosages found on their prescription bottles, and, if they think they might qualify for the \$600 credit, their annual income. We have 3,000 trained customer service representatives who can walk through the top five drug card options in less than 15 minutes to find the card that’s best for each beneficiary. If you are interested, you can get a personalized brochure so you can take a close look before deciding to enroll. But if you are ready to sign up when you call, our customer service representatives can tell you exactly what you need to do to enroll over the phone.

Last week CMS added the “Lower Cost Rx Comparison Tool” to its website to help seniors comparison shop and choose lower-cost drugs, similar to those they are currently using. Medicare beneficiaries interested in using the new comparison tool can simply go to the “prescription drug and other assistance program” section of www.medicare.gov or call 1-800-MEDICARE and provide the medications they are currently taking. A customized report will be generated for each of their medications, including less expensive versions of the same drug and brand name and/or generic versions of similar but less expensive drugs that are available to treat the same condition. The website also offers beneficiaries the opportunity to research the prices and cards accepted by their local pharmacies.

To ensure seniors have all the information they need to make an informed choice, we are partnering with community-based organizations, States, and other Federal agencies to reach out to beneficiaries to ensure they know about the savings available through the discount cards. Beneficiaries could also ask their pharmacists for assistance, as they are the most familiar with individual situations and needs.

Enrollment Steadily Increases

As of September 16, more than 4.4 million beneficiaries had enrolled in a card program, well over 60 percent of the 7.3 million seniors who CMS estimated would sign up for the card by December of 2004. More than 1.1 million of those beneficiaries are receiving the \$600 low-income credit. Approximately 2.4 million beneficiaries were automatically enrolled in a card by their health plans and nearly 350,000 were auto-enrolled through their state pharmacy assistance program, with an additional 13,000 being sent pre-filled applications by their state pharmacy assistance program.

And nearly two million low-income Americans on Medicare will soon be automatically eligible for prescription discounts through the Medicare Drug Discount card. These Medicare beneficiaries will receive a drug discount card in the mail next month, which they can begin to use immediately to get savings at pharmacies. Letters will go to people who receive state help to pay Medicare premiums in what are known as Medicare Savings Programs. These beneficiaries meet the income tests to make them eligible for the \$600 credit.

A Bridge to the Drug Benefit

The drug cards will serve as an important bridge to the new Medicare prescription drug benefit that will go into effect January 1, 2006. CMS expects that a number of drug discount card sponsors will want to provide those new benefits and will therefore offer the best service they can while participating in the drug discount card program. We intend to make sure the drug benefit builds on the new tools we are giving seniors now as part of the drug card. For example we'll keep making available information on prices and alternative lower cost drugs so beneficiaries can find the best fit for their needs. And the drug plans will continue to negotiate lower prices by using the buying power of beneficiaries in the plans for the drugs and formularies that seniors want.

Thank you again for the opportunity to talk today about the substantial savings available to seniors through discount drug cards, an important transition toward Medicare's prescription drug benefit. We recognize, as did the President, the importance of the discount cards and the low-income subsidy to Medicare beneficiaries, who, for too long, have gone without outpatient prescription drug coverage.