

**Medicare-Approved Drug Discount Cards  
Provide Drug Prices Significantly Below Average Paid by Americans  
Seniors Can Now Get Lower Prices at their Local Pharmacies  
May 6, 2004**

**Overview**

This study presents the first comparison of prices from Medicare-approved discount cards to the average prices paid by Americans in retail pharmacies. The main finding is that all 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 discounts available through private health insurance, Medicaid plans, and other sources of discounts. 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. This finding for retail pharmacies is especially important because most Medicare beneficiaries fill their prescriptions through neighborhood pharmacies.

- Our findings indicate that savings of at least 10 to over 17 percent compared to the average market prices actually paid by Americans for brand name drugs can be obtained from Medicare drug discount cards (see Table 1). Savings from generics are even larger – 30 to 60 percent (see Table 2). A recent Food and Drug Administration (FDA) analysis using IMS Health data (discussed below) underscores the savings available through generic substitution.
- This preliminary analysis of the discounts available through the Medicare-approved drug discount cards compares the best Medicare-approved discount card prices reported by card sponsors on the Price Compare website using randomly selected zip codes to data on national average retail pharmacy prices actually paid by Americans.
- The national average retail pharmacy prices used in this comparison represent the total price paid to the pharmacy, regardless of whether the person had insurance or not. This average retail pharmacy price is generally lower than the “cash” prices paid by Medicare beneficiaries without drug coverage because it includes both the relatively high retail cash prices paid by people without insurance and the lower negotiated prices paid by people with insurance. If we compared Price Compare prices to prices paid only by cash paying customers, the Medicare discounts would be expected to be even larger.
- The 10-17 percent savings we found in this analysis (comparing the best Price Compare prices to national average pharmacy prices) is consistent with the discounts reported on brand-name drugs by Medicare-approved drug discount card sponsors that generally exceed 15 percent off Average Wholesale Price (AWP), and exceeding

20 percent or more off AWP in some cases. AWP discounts for generic drugs are much larger, exceeding 50 percent in some cases. To summarize, card sponsors report a 15-20 percent discount off AWP, and we find a 10-17 percent savings off national average retail pharmacy prices (including prices paid by people with private insurance, Medicaid, and cash paying customers). These two measures of the savings available through the Medicare-approved cards assure us that the savings we observe are significant and consistent.

- Our approach compares the best retail prices in a geographic area listed on Price Compare (and available through 1-800-MEDICARE) to retail pharmacy prices that were actually paid by typical Americans in the first quarter of 2004.
- For mail-order prescriptions, which are generally less expensive because they are available less quickly, in higher volumes, and without face-to-face assistance and advice from a pharmacist, Medicare-approved drug discount cards also compare favorably to mail-order prices (see Table 3) available from such sources as drugstore.com and costco.com (which has a \$45 membership fee).

### **Price Compare and 1-800 Medicare are Sources of Information on Discounts**

The Medicare-Approved Drug Discount Card Program and its Price Compare feature – the website and the assistance available through 1-800-MEDICARE – are designed to help people with Medicare lower their drug costs. The price comparison we care about most is the comparison between what a beneficiary is paying now, and what that beneficiary could pay with the drug card of their choice. Price Compare is a unique tool that allows the user to customize their search to get the best prices available for that drug or mix of drugs. Making price comparisons on a drug-by-drug basis is difficult for the many beneficiaries who take multiple medications, and Price Compare permits comparisons involving multiple drugs. And, Price Compare provides this information for the retail pharmacy setting – where most Medicare beneficiaries purchase their drugs.

Beneficiaries can get help in finding the Medicare-approved card that is best for them, and additional sources of drug savings, at 1-800-MEDICARE or by visiting [www.medicare.gov](http://www.medicare.gov). If they call and provide just their zip code and medicines, Medicare's customer service representatives will provide specific information to help find the best card. Beneficiaries can choose the card that gets them the lowest prices, low- or no-fee cards, cards that include specific neighborhood pharmacies, and/or cards from specific sponsors familiar to beneficiaries. Card sponsors must assure beneficiaries that they will pay no more than the discounted prices listed on Price Compare. The price the beneficiary ultimately pays may be even lower.

Beneficiaries make decisions every day – some are quick, others require more consideration. Beneficiaries should take time to consider their options when they make their new Medicare-approved drug discount card decision. They can window shop now to see how it looks, and visit again whenever they choose. If their enrollment is received by the end of May, they have the opportunity to get lower prices starting June 1. And,

those beneficiaries with lower incomes may qualify for the \$600 annual credit that also starts June 1. Beneficiaries, however, are not required to choose a card in May; they can choose a card whenever they wish.

### **Preliminary Analysis**

To assess what level of savings can be achieved through Medicare-approved drug discount cards, we examined several illustrative beneficiaries across the country. The best Medicare-approved discount card prices found on Price Compare are significantly lower than the national average retail pharmacy prices that typical Americans pay -- including the higher prices paid by cash paying customers and the lower negotiated prices paid by people with insurance coverage. The retail pharmacy prices under the Medicare drug discount card program need to be compared to other retail pharmacy prices in order for a true comparison to be made.

A major national source of reliable data on retail pharmacy prices currently in the market today is IMS Health's National Prescription Audit *Plus*<sup>TM</sup>. FDA has used this data source to demonstrate that real savings can be achieved through the use of generic drugs, and our analysis of savings is based on the same national average retail prices used in the FDA analysis.<sup>1</sup> To illustrate the savings on generics, FDA used data on average U.S. retail prices for brand name drugs and the median average U.S. retail prices among generic manufacturers for generic drugs for the first quarter of 2004. The data were derived from IMS Health's National Prescription Audit *Plus*<sup>TM</sup> on brick-and-mortar retail pharmacies (i.e. chain, independent and foodstore pharmacies, excluding internet, mail order and long-term care pharmacies).

These data represent the full price paid at the pharmacy by both the customer and the insurer, if any.<sup>2</sup> This measure of average national retail price would generally be lower than the retail prices paid by Medicare beneficiaries without drug coverage because the prices include pharmacy revenues from insurers and third party payers that negotiate lower prices with pharmacies on behalf of their enrollees. If we compared the Price Compare prices to prices paid only by cash paying customers, we would expect to observe larger discounts. We did not have available data on only cash paying customers, but we are exploring options for securing such data and making that comparison. In its calculations, the FDA presented per-day drug costs for a number of commonly used brand and generic drugs. We converted these per day prices to a 30-day prescription price for purposes of comparing to the Price Compare information.

The IMS Health data on national average retail pharmacy prices are nationally representative. For calculating the best price under Price Compare, randomly selected zip codes from areas around the country were selected. The analysis did not include repeat searches over multiple geographic areas in order to produce different results. The geographic areas we chose may not be representative of all areas.

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<sup>1</sup> FDA website accessed May 3, 2004 at <http://www.fda.gov/cder/consumerinfo/SavingsFromGenericDrugs.pdf>.

<sup>2</sup> The IMS data is a measure of pharmacy revenues, and does not include the effect of manufacturer rebates, which are generally retrospective.

## **Findings**

We are continuing to analyze the data on Price Compare, and expect the information available online may change over the coming weeks as more sponsors come online. We are seeing that many Medicare-approved drug discounts cards will provide significantly lower drug prices and savings to beneficiaries over what they receive in retail pharmacies today. These first-round price comparisons demonstrate that the Medicare-approved drug discount card program will help assure that beneficiaries without prescription drug insurance will not have to pay the highest prices any more – and in addition, if they have limited incomes, they can qualify for a \$600 annual credit to be applied automatically to their drug purchases.

In Table 1 we show that savings of at least 10 to over 17 percent can be achieved on monthly prescription drug costs from Medicare drug discount cards for six illustrative Medicare beneficiaries. These examples generally involve brand name drugs, with the exception of beneficiary #3 who takes lisinopril, a generic drug. In just one month, most of these beneficiaries saved more than the maximum enrollment fee of \$30. In fact, cards charging less than \$30, including no enrollment fee, were found to offer similar discounts. The illustrations show that Medicare beneficiaries can face high drug costs (generally higher than the average prices paid by Americans) and that the new discount cards can bring them real savings until the Medicare drug benefit is implemented in 2006.

We also examined the savings that could be realized on generic drugs (see Table 2, attached). Again, comparing Price Compare information to the FDA analysis of national retail pharmacy prices<sup>3</sup> we found that the Medicare-approved drug discount card prices on three commonly used generics were 30 to 60 percent lower than the average generic market price paid nationally. This analysis shows that generic drugs available through the Medicare-endorsed cards offer an especially large opportunity for cost savings for Medicare beneficiaries. Such drugs account for around 55 percent of all prescriptions today, and are available in well over half of all of the drug classes included in the Medicare cards.

Our results mean that Medicare beneficiaries without prescription drug coverage will no longer have to pay the highest retail prices for their prescription drugs – they can now do significantly better than average Americans, and lower-income beneficiaries who enroll in a discount card will receive the benefit of discounts and an additional \$600 in 2004 and 2005 to assist them with their prescription drug spending.

## **Illustrations**

We used the data from the FDA analysis to illustrate potential savings for Medicare beneficiaries. For example:

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<sup>3</sup> In the case of generic drugs, FDA used the median across different manufacturers' mean (average) national generic prices, where the average is the average of many localities and payer types.

- A typical person taking Celebrex (osteoarthritis), Zocor (high cholesterol), Paxil (depression), and Norvasc (hypertension) on average pays \$363.60 each month for these drugs at a retail pharmacy according to the IMS Health data. A Medicare beneficiary taking these medications who lives in Pittsburgh could enroll in a Medicare-approved drug discount card and pay \$300.64 -- a 17.3% savings over what a typical person would pay. That is a savings of \$62.96 every month or \$755.52 a year.
- A typical person taking Coumadin (anti-coagulant), Vioxx (osteoarthritis), and Fosamax (osteoporosis), on average pays \$187.47 per month for these drugs at a retail pharmacy. A Medicare beneficiary taking these medicines residing in Arlington, Virginia, could enroll in a Medicare-approved discount card and save about 13 percent. This beneficiary could save \$24.51 per month, or \$294.12 per year, over what the typical American would pay.
- Some beneficiaries can save by using generic drugs. The discount cards are offering lower prices on generic drugs as well. For example, a person taking furosemide could enroll in a Medicare-endorsed drug discount card in Orange County, California and save over 65 percent on the cost of furosemide. A person residing in Louisville, Kentucky or Orange County, California taking metformin could save about 40 percent. So, in addition to the savings achieved by using generics, the discount cards further lower the cost of generic drugs.

**TABLE 1 - PRICE COMPARISON RETAIL PHARMACIES**

Illustrative Medicare Beneficiary/Residence	Conditions	Drugs	Dosing	National Retail Average Monthly Price <sup>1</sup>	Medicare Drug Discount Card Monthly Price <sup>2</sup>	% Savings Drug Card vs. Average Retail Market	Monthly Dollar Savings
<b>Beneficiary #1</b>							
National	<b>Market Basket Total</b>			<b>\$363.60</b>			
Pittsburgh, PA 15122	<b>Market Basket Total</b>				<b>\$300.64</b>	<b>-17.3%</b>	<b>\$62.96</b>
Portland, OR 97202	<b>Market Basket Total</b>				<b>\$300.64</b>	<b>-17.3%</b>	<b>\$62.96</b>
	Osteoarthritis	Celebrex	200 mg per day				
	Hypercholesterolemia	Zocor	40 mg per day				
	Depression	Paxil	20 mg per day				
	Hypertension	Norvasc	5 mg per day				
<b>Beneficiary #2</b>							
National	<b>Market Basket Total</b>			<b>\$130.50</b>			
Louisville, KY 40205	<b>Market Basket Total</b>				<b>\$116.63</b>	<b>-10.6%</b>	<b>\$13.87</b>
Orange County, CA 90623	<b>Market Basket Total</b>				<b>\$116.63</b>	<b>-10.6%</b>	<b>\$13.87</b>
	Hypertension	Prinivil	20 mg per day				
	Diabetes	Glucophage	850 mg twice per day				
	Congestive Heart Failure	Lasix	40 mg per day				
<b>Beneficiary #3</b>							
National	<b>Market Basket Total</b>			<b>\$319.20</b>			
Boston, MA 02762-Bristol	<b>Market Basket Total</b>				<b>\$278.23</b>	<b>-12.8%</b>	<b>\$40.97</b>
Houston, TX 77204	<b>Market Basket Total</b>				<b>\$278.23</b>	<b>-12.8%</b>	<b>\$40.97</b>
	Hypertension/mild congestive heart failure	Lisinopril	20 mg per day				
	Coronary artery disease/congestive heart failure	Toprol XL	200 mg per day				
	Hypercholesterolemia	Lipitor	40 mg per day				
	Acid Reflux	Aciphex	20 mg per day				
<b>Beneficiary #4</b>							
National	<b>Market Basket Total</b>			<b>\$481.50</b>			
Boise, ID 83714	<b>Market Basket Total</b>				<b>\$432.45</b>	<b>-10.2%</b>	<b>\$49.05</b>
Greensboro, NC 27410	<b>Market Basket Total</b>				<b>\$432.45</b>	<b>-10.2%</b>	<b>\$49.05</b>
	Schizophrenia	Zyprexa	10 mg per day				
	Hypercholesterolemia	Lipitor	40 mg per day				
	Depression	Zoloft	50 mg per day				
<b>Beneficiary #5</b>							
National	<b>Market Basket Total</b>			<b>\$187.50</b>			
Greenville, MS 38731	<b>Market Basket Total</b>				<b>\$168.23</b>	<b>-10.3%</b>	<b>\$19.27</b>
Arlington, VA 22202	<b>Market Basket Total</b>				<b>\$162.99</b>	<b>-13.1%</b>	<b>\$24.51</b>
	Anticoagulant	Coumadin	2.5 mg per day				
	Osteoarthritis	Vioxx	25 mg per day				
	Osteoporosis	Fosamax	70 mg per week				
<b>Beneficiary #6</b>							
National	<b>Market Basket Total</b>			<b>\$384.30</b>			
Clearwater, FL 33767	<b>Market Basket Total</b>				<b>\$341.62</b>	<b>-11.1%</b>	<b>\$42.68</b>
Cleveland, OH 44106	<b>Market Basket Total</b>				<b>\$341.62</b>	<b>-11.1%</b>	<b>\$42.68</b>
	Diabetes	Glucophage	850 mg twice per day				
	Diabetes	Actos	30 mg per day				
	Hypercholesterolemia	Pravachol	40 mg per day				

(1) Note: CMS computed a monthly 30 day supply based on dosing schedule using the FDA per day estimate based on analysis of IMS Health, National Prescription Audit Plus™, 1st Quarter 2004; extracted April 2004. Prices are average retail prices (for generic drugs median average retail prices among generic manufacturers was used) in brick-and-mortar pharmacies (i.e. chain, independent and foodstore pharmacies, excluding internet, mail order and long-term care pharmacies) across all payer types (cash-only, Medicaid and other 3rd party payers) for the first quarter of 2004.

(2) Data Source: Medicare Price Compare 5/3/04

**Table 2 - Price Comparison Retail Pharmacies - Generics**

<b>Drug Name by Location</b>	<b>Medicare Drug Discount Card Monthly Price<sup>1</sup></b>	<b>National Retail Average Monthly Price<sup>2</sup></b>	<b>Percent Savings Drug Card vs. Average Retail Market</b>
<b>furosemide 40 mg per day</b>			
National		\$6.00	
Louisville, KY 40205	\$2.08		-65.3%
Orange County, CA 90623	\$2.08		-65.3%
Arlington, VA 22202	\$3.44		-42.7%
<b>lisinopril 20 mg per day</b>			
National		\$18.00	
Louisville, KY	\$12.30		-31.7%
Orange County, CA	\$12.30		-31.7%
Arlington, VA	\$12.30		-31.7%
<b>metformin 850 mg twice daily</b>			
National		\$38.70	
Louisville, KY	\$23.11		-40.3%
Orange County, CA	\$23.11		-40.3%
Arlington, VA	\$23.11		-40.3%
(1) Medicare Price Comparison website 5/3/04			
(2) Note: CMS computed a monthly (30 day supply based on dosing schedule) using the FDA per day estimate based on analysis of IMS Health, National Prescription Audit Plus™; 1st Quarter 2004; extracted April 2004. Prices for generic drugs are based on the median average retail prices among generics manufacturers in brick-and-mortar pharmacies (i.e. chain, independent and foodstore pharmacies, excluding internet, mail order and long-term care pharmacies) across all payer types (cash-only, Medicaid and other 3rd party payers) for the first quarter of 2004.			

**Table 3 - Comparison of Mail Order Prices Under Various Medicare-Approved Discount Cards With Private Discount Cards <sup>1</sup>**

	Card 1	Card 2	Card 3	Card 4	Drugstore.com	Costco.com <sup>2</sup>
Aricept (10 mg., 30 tab)	\$120.97	\$124.47	<b>\$119.48</b>	\$130.14	\$127.99	\$141.69
Celebrex (200 mg., 30 cap)	\$105.65	\$73.80	\$162.87	<b>\$75.64</b>	\$76.99	\$80.07
Fosamax (70 mg., 4 tab)	\$59.37	\$60.60	\$59.37	<b>\$57.81</b>	\$64.99	\$67.89
Lipitor (10 mg., 30 tab)	<b>\$60.85</b>	\$61.24	\$66.82	\$61.38	\$62.99	\$68.47
Nexium (40 mg, 30 cap)	\$109.39	\$115.37	\$262.87	<b>\$96.63</b>	\$120.99	\$125.47
Norvasc (5 mg, 30 tab)	<b>\$39.32</b>	\$39.89	\$44.75	\$40.59	\$42.99	\$44.59
Plavix (75 mg, 30 tab)	<b>\$106.27</b>	\$107.83	<b>\$106.27</b>	\$107.67	\$114.99	\$119.19
Prevacid (30 mg, 30 cap)	\$113.51	<b>\$99.96</b>	\$132.31	\$119.18	\$120.99	\$120.27
Protonix (40 mg, 30 tab)	\$89.52	\$91.23	\$112.26	<b>\$80.14</b>	\$98.89	\$97.27
Zocor (40 mg, 30 tab)	\$111.74	\$113.45	\$111.75	<b>\$92.05</b>	\$123.99	\$123.47
Total	<b>\$916.59</b>	<b>\$887.84</b>	<b>\$1,178.74</b>	<b>\$861.22</b>	<b>\$955.80</b>	<b>\$988.38<sup>2</sup></b>
Percentage saved vs drugstore.com	4.1%	7.1%	N/A	9.9%		
Percentage saved vs costco.com	7.3%	10.2%	N/A	12.9%		

<sup>1</sup> All data extracted as of 4/30/04.

<sup>2</sup> The prices on Costco.com reflect a Costco member price, for which there is a \$45 member fee. According to Costco, the non-member price is 5 percent higher than the Costco.com website price for each drug. This chart reflects the member price. The non-member price for the total would be \$1,037.80.