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MEDICARE DRUG CARD PRICES REMAIN HIGH

PREPARED FOR REP. HENRY A. WAXMAN

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EXECUTIVE SUMMARY

On April 29, 2004, the Bush Administration began publishing prices for new Medicare prescription drug cards on the Medicare web site, Medicare.gov. A staff analysis of the card prices released by Rep. Henry A. Waxman found that the initial published prices would not provide significant discounts for seniors. Other analyses reached similar conclusions.

In response to these analyses, Administration officials and Republican leaders promised that drug card prices would drop before June 1, the day the cards were scheduled to become active. They predicted “downward changes over the next couple of weeks,” and they claimed that “since the enrollment period for the discount cards began, we have already seen market forces at work to significantly lower drug prices for seniors.”

At the request of Rep. Waxman, this report examines the changes in prices available with the drug cards between May 3, 2004, and June 1, 2004, for the ten most popular brand-name drugs used by seniors. It finds that claims of price reductions have not materialized. In fact, the lowest prices available to seniors for two of the most popular brand-name drugs used by seniors (Nexium and Protonix) have actually increased by 13% and 19%.

The claims about declining prices made by Administration officials and Republican leaders have been based primarily on analyses that show a reduction in the prices charged by the most expensive drug cards since May 3. However, the key issue for seniors is not how much they would pay if they chose the most expensive drug cards but how little they would pay if they chose the least expensive drug cards.

This report finds that there has been virtually no change between May 3 and June 1 in the prices charged by the least expensive cards. On May 3, 2004, the drug card offering the lowest total price charged \$887.62 for the ten most popular brand-name drugs used by seniors. By June 1, 2004, the lowest priced card that could be widely used at local pharmacies charged \$903.75 for these drugs, a 2% increase.

Moreover, the report finds that drug card prices continue to exceed other drug prices. Even the least expensive drug cards charge prices that are far higher than the prices that the federal government has negotiated on the Federal Supply Schedule or the prices available to consumers in Canada. The drug cards also fail to offer prices that are significantly better than options currently available to seniors. The report shows that “market baskets” containing popular brand-name drugs that might typically be used by seniors can be less expensive if purchased from Drugstore.com than if purchased from pharmacies using Medicare discount cards.

BACKGROUND

On April 29, 2004, the Bush Administration began publishing prices for new Medicare prescription drug cards on the Medicare web site, Medicare.gov. Administration officials promised that the cards would provide dramatic discounts for seniors. The Center for Medicare and Medicaid Services (CMS) indicated that the cards would provide “significant price reductions off typical retail prices,” while HHS Secretary Thompson predicted average savings of 17 to 30 percent.¹

However, analyses of the card prices at the time of release indicated that the cards provided few discounts for seniors. An analysis by the minority staff of the House Committee on Government Reform for Rep. Henry A. Waxman indicated that the discounts provided by the cards were significantly smaller than the discounts negotiated by the federal government through the Federal Supply Schedule or the discounts available in Canada. This analysis also found that drug prices already available to seniors on Drugstore.com were similar to the discount card prices.² Other analyses reached similar conclusions.³

In response to these findings, HHS Secretary Tommy Thompson and CMS Administrator Mark McClellan said that they expected drug card prices to drop throughout the month of May, before the cards became active on June 1. Secretary Thompson expressed confidence that “[s]eniors will be able to reap the benefits of competition in terms of lower prices,”⁴ and Dr. McClellan predicted “downward changes over the next couple of weeks.”⁵

Administration officials and Republican leaders are now claiming that competition has worked to reduce drug prices. House Ways and Means Committee Chairman Bill Thomas recently stated that “since the enrollment period for the discount cards began, we have already seen market forces at work to significantly lower drug prices for seniors.”⁶ Secretary Thompson concluded that “competition is driving down prices across the market.”⁷

¹ Associated Press, *Medicare Posts Web-Based Drug Price Comparisons for New Discount Cards* (Apr. 29, 2004).

² Committee on Government Reform, Minority Staff, *New Medicare Drug Cards Offer Few Discounts* (Apr. 29, 2004).

³ Washington Post, *Web Still Helps the Medicine Go Down; Sites Undercut Some Discounts for New Medicare Drug Cards* (Apr. 30, 2004).

⁴ Center for Medicare and Medicaid Services, *Medicare Drug Discount Cards Continue to Drop Prices and Offer Better Savings* (May 14, 2004).

⁵ USA Today, *Officials Recommend Seniors Wait before Choosing Medicare Drug Card* (Apr. 29, 2004).

OBJECTIVE AND METHODOLOGY

At the request of Rep. Henry A. Waxman, this analysis examines whether there have been significant declines in the prices offered by the discount drug cards since these prices were first posted publicly.

This analysis is based upon a comparison of drug card prices as of May 3, 2004, the start of the first full week that the prices were posted, and prices as of June 1, 2004, the day the Medicare drug cards could be used for the first time.

The analysis compares drug card prices for a 30-day supply of each of the ten brand-name drugs with the highest dollar sales to seniors. The ten drugs are:

- Aricept, an Alzheimer’s medication manufactured by Pfizer;
- Celebrex, an arthritis medication manufactured by Pfizer;
- Fosamax, an osteoporosis medication manufactured by Merck;
- Lipitor, a cholesterol medication manufactured by Pfizer;
- Nexium, an acid reflux medication manufactured by AstraZeneca;
- Norvasc, a blood pressure medication manufactured by Pfizer;
- Plavix, a heart medication manufactured by Bristol-Meyers Squibb;
- Prevacid, an acid reflux medication manufactured by TAP Pharmaceuticals; and
- Protonix, an acid reflux medication manufactured by Wyeth-Ayerst; and
- Zocor, a cholesterol medication manufactured by Merck.⁸

The analysis examined 24 drug cards that posted prices on May 3, 2004, and 34 drug cards that posted prices on June 1, 2003. The cards examined in the report include cards that are offered by the largest PBMs in the country, such as AdvancePCS and Medco, as well as cards that are offered by large drugstore chains, such as CVS.

⁶ House Committee on Ways and Means, *New Report Unveiled on Medicare Discount Card Pricing: In Just Two Weeks, Prices Dropped; Seniors Will See Savings on Drug Costs* (May 12, 2004).

⁷ Tommy Thompson, *Discount Cards Are First Wave of Prescription Drug Saving: Seniors Can Save up to 60 Percent; More Aid Coming*, The Hill (May 20, 2004).

⁸ The dosage and quantity of each drug used were Aricept, 10 mg, 30 cap; Celebrex, 200 mg, 30 tab; Fosamax, 70 mg, 4 tab; Lipitor, 10 mg, 30 tab; Nexium, 20 mg, 30 tab; Norvasc, 5 mg, 30 tab; Plavix, 75 mg, 30 tab; Prevacid, 30 mg, 30 tab; Protonix, 40 mg, 30 tab; Zocor, 40 mg, 30 tab.

FINDINGS

Changes in Lowest Available Prices

The price changes highlighted by Administration officials and Republican leaders have primarily been reductions in the highest prices charged by Medicare drug cards. For example, prices for the five drug cards that offered the highest prices on May 3, 2004, declined by an average of 22% by June 1. To cost-conscious seniors, however, these changes are of limited value. The key question is not how much the most expensive drug cards charge but how little the least expensive cards do.

There has been little change in the lowest prices. On May 3, 2004, the sum of the lowest prices available through drug cards for the ten most popular brand-name drugs used by seniors was \$876.13. On June 1, the sum of the lowest prices available was virtually unchanged, \$871.38. This was a change of less than 1%. See Table 1.

Table 1: There Has Been Little Change in the Lowest Available Drug Card Prices			
Drug	Lowest Available Price, May 3, 2004	Lowest Available Price, June 1, 2004	Total Change (\$)
Aricept	\$132.39	\$126.42	-\$5.97
Lipitor	\$66.97	\$64.74	-\$2.23
Fosamax	\$62.95	\$57.43	-\$5.52
Celebrex	\$76.79	\$74.39	-\$2.40
Nexium	\$93.99	\$106.06	+12.07
Norvasc	\$42.99	\$41.79	-\$1.20
Plavix	\$113.83	\$108.39	-\$5.44
Prevacid	\$111.92	\$110.86	-\$1.06
Protonix	\$72.38	\$86.03	+\$13.65
Zocor	\$101.92	\$95.27	-\$6.65
Total	\$876.13	\$871.38	-\$4.75

An analysis of the lowest prices offered by individual drug cards shows a similar pattern. On May 3, the Nationshealth drug card offered the lowest prices for a total of the top ten drugs, charging \$887.62. On June 1, the drug card with the

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lowest prices accepted at a wide range of pharmacies was the Envision Rx Card. It charged \$903.75 for the ten drugs, an increase of 2%.⁹

Four of the five drug cards that offered the lowest prices on May 3, 2004, were still available on June 1.¹⁰ The average price for the ten drugs charged by these four cards was \$921.75 on May 3 and \$916.07 on June 1, a decline of less than 1%.

In some cases, the lowest available prices for individual drugs increased considerably. On May 3, the lowest available drug card price for the acid reflux drug Nexium was \$93.99, which was offered by the Nationshealth card. On June 1, the lowest price for Nexium was \$106.06, which was offered by the Walgreens card.¹¹ This represents an increase of 13% in the lowest available price of Nexium.

The increase in the lowest available price for the acid reflux drug Protonix is even larger. On May 3, the lowest available drug card price for Protonix was \$72.83, which was offered by the Nationshealth card. On June 1, the lowest available price for Protonix was \$86.03, which was offered by the Walgreens card.¹² This represents an increase of 19% in the lowest available price of Protonix.

Comparison to Other Drug Prices

The prices available through the drug cards continue to exceed other drug prices. The federal government negotiates drug prices for federal agencies and posts these negotiated prices on the Federal Supply Schedule. For the top ten brand-name drugs used by seniors, the combined Federal Supply Schedule price is \$586.97. On June 1, 2004, the price for the ten drugs with the lowest priced drug card accepted at a wide range of pharmacies was \$903.75 — 54% higher than the Federal Supply Schedule price.

⁹ The Walgreens card offered the ten drugs for \$886.23 to seniors who purchase the drugs at Walgreens. At non-Walgreens pharmacies, however, the Walgreens card charges \$925.59 for the market basket of drugs. There are numerous states and localities without a nearby Walgreens.

¹⁰ The Nationshealth card, which listed the overall lowest prices on May 3, was no longer posting prices on June 1.

¹¹ The price offered by the Walgreens card is only available at Walgreens stores. At other pharmacies, the Walgreens card charges \$108.56. Nexium is available through other drug cards for a price as low as \$106.20.

¹² The price offered by the Walgreens card is only available at Walgreens stores. At other pharmacies, the Walgreens card charges \$88.53. Protonix is available through other drug cards for a price as low as \$88.03.

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Similarly, drug card prices are significantly higher than the prices available to consumers in Canada. The cost of the top ten drugs for seniors is \$595.94 in Canada. The price for the ten drugs with the lowest priced drug card accepted at a wide range of pharmacies (\$903.75) was 52% higher than these Canadian prices.

Drug card prices also do not offer significant savings compared to options currently available to seniors once the annual fees are taken into account. For sample “market baskets” of drugs that a typical senior might require over the course of the year, Drugstore.com offers lower prices than the prices available through any of the 34 discount cards after annual fees are factored in. For example, a market basket containing Celebrex, an arthritis medication, Norvasc, a blood pressure medication, and Prevacid, an acid reflux medicine, would cost a senior \$2,785.80 per year if purchased from Drugstore.com. Including annual fees, the lowest price available to a senior through a discount card is \$2,802.39 per year.

Another hypothetical market basket might include Aricept, an Alzheimer’s medication, Lipitor, a cholesterol medication, and Plavix a heart medication. This basket would cost a senior \$3,695.64 per year if purchased from Drugstore.com. Including annual fees, the lowest price available to a senior through a discount card is \$3,698.91 per year.

The least expensive drug cards can offer modest savings if their mail order option, which requires the purchase of a 90-day supply of drugs, is used. A senior using the least expensive drug card to purchase a year’s supply of Celebrex, Norvasc, and Prevacid by mail order would save 11% compared to Drugstore.com, while a senior purchasing a year’s supply of Aricept, Lipitor, and Plavix would save 8%. However, because purchasing a 90-day supply of even a single drug can require paying hundreds of dollars at once, seniors who are struggling to pay for drugs on a daily basis are often unable to purchase them in these large quantities.

CONCLUSION

This analysis examines recent changes in drug prices available through Medicare discount drug cards. It finds that claims of price reductions have not materialized. Overall, there has been little change in the lowest price available for the top ten brand-name drugs for seniors. In several cases, these lowest available prices have increased substantially. The price reductions highlighted by Administration officials and Republican leaders involve reductions in the highest prices, which provide few benefits for seniors.