

# **Medicare-approved Drug Discount Cards Provide Substantial Savings with Generic Drugs**

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## **Overview**

Previous analyses by CMS have indicated that Medicare-approved drug discount cards not only provide substantial savings below retail prices – they can save Medicare beneficiaries about 11 to 18 percent over the average prices paid by all Americans for brand name drugs. Additional discounts and assistance are available for low-income beneficiaries. This study presents estimates of savings available from Medicare-approved drug discount cards<sup>1</sup> for beneficiaries who are able to switch from brand name drugs to generic alternatives, and who can get additional savings through lower prices on their generic drugs. CMS analyzed estimated savings from the switch to generic drugs for 10 drugs commonly used by the Medicare population. The analysis compares the best prices on brand name drugs to the best generic drug prices available under the Medicare-approved drug discount cards. It also analyzes the savings on 5 widely-used generic drugs by comparing generic prices under the Medicare-approved drug discount cards with national average retail pharmacy prices.

- CMS's results indicate that beneficiaries who are able to switch to generic drugs examined in the study can save 46 to 92 percent over brand name drugs for these commonly used drugs (see Table 1).
- The best Medicare-approved drug discount cards offer savings on generic drugs that are about 37 to 65 percent below the national average retail price for 5 generic drugs for which national average retail price information was available (see Table 2).
- Most (7 out of 10) of the generic drugs in our analysis had savings high enough to cover a \$30 maximum enrollment fee in one or two months -- and that is with savings on only one drug.

## **Generic Drugs are a Safe and Inexpensive Alternative for Many Beneficiaries**

Generic drugs offer Medicare beneficiaries who can take them a safe and much less costly alternative to brand name drugs. A generic drug may have an inert ingredient not contained in the brand name drug, but in all other respects the drugs are identical. A generic drug contains the same active ingredient, and the same strength, dosage, indications, and labeling as the brand name drug. Generic drugs are required by the Food and Drug Administration to show that they work in the same way in the body as brand name drugs, and they are subject to the same requirements for safe manufacturing and

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<sup>1</sup> Price information for Medicare-approved drug discount cards found at [www.medicare.gov](http://www.medicare.gov), accessed June 1, 2004.

effectiveness as brand name drugs. According to a recent study, generic drugs accounted for a majority (51 percent) of prescriptions filled in the United States today<sup>2</sup>. Since generic drugs are much less expensive on average than brand name drugs (the average price of a generic prescription is about \$22, less than 30 percent of the average price of \$76 for a brand name drug), they account for a relatively much smaller proportion of drug spending, about 8 percent.<sup>3</sup>

Many Americans already take advantage of generic substitutes when they are available. While effective generic substitution programs by pharmacies, insurers, and other entities can lead to generic substitution around 90 percent of the time (for chain drug stores) when they are available,<sup>4</sup> millions of Americans are still using brand-name drugs, and there is substantial variation in the prices paid for generic drugs. Researchers from Brandeis University estimate that there could have been \$14 billion in savings (\$350 per beneficiary) in 2003 if all beneficiaries had been in a Medicare prescription drug program using generics at the same rate as plans that have the highest use of generics.<sup>5</sup> The same study indicated that there is wide variation in seniors' use of generics across health insurers, and that seniors in their study were less likely to use generics than enrollees of all ages. Medicare-approved drug discount cards can provide additional savings for Medicare beneficiaries without compromising quality of care by helping them find out about generic options, and by enabling them to get substantial additional discounts on the generic drugs they buy. For low-income beneficiaries who receive \$600 in transitional assistance, using generics can help stretch those dollars further.

### **Analysis of Generic Price Discounts through Medicare-Approved Drug Cards**

To assess what level of savings can be achieved through Medicare-approved drug discount cards in switching to generic drugs from brand name drugs, we compared the best brand name prices available through the Medicare-approved drug discount cards at retail pharmacies to the best generic drug prices available through the cards at retail pharmacies for 10 drugs commonly used by Medicare beneficiaries.

In addition to assessing the savings available from switching from brand name to generic drugs, we compared the best generic prices available through the Medicare-approved cards to national average retail pharmacy prices for 5 generic drugs for which average actual retail price data are available (Table 2). The national average retail pharmacy prices we used are from 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 pharmacy prices used in the FDA analysis.<sup>6</sup> To illustrate the savings on generics, FDA

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<sup>2</sup> Generic Pharmaceutical Association using IMS data, [www.gphaonline.org](http://www.gphaonline.org), accessed May 25, 2004.

<sup>3</sup> Ibid.

<sup>4</sup> Drug Store News, February 16, 2004.

<sup>5</sup> Grant Ritter, Cindy Thomas, and Stanley S. Wallack, "Greater Use of Generics: A Prescription for Drug Cost Savings" for the Generic Pharmaceutical Association at [www.gphaonline.org](http://www.gphaonline.org), accessed June 2, 2004.

<sup>6</sup> FDA website accessed May 3, 2004 at <http://www.fda.gov/cder/consumerinfo/SavingsFromGenericDrugs.pdf>.

used data on average U.S. retail prices for brand name drugs and the median average retail prices actually paid by all Americans (including any point-of-purchase discounts) 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).

We used the national average retail prices used in the FDA analysis in this analysis as well. These data represent the median across different manufacturers' mean (average) national generic prices, where the average is the average of many localities and payer types. 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 making a monthly comparison with Price Compare information.

The IMS Health data on national average retail pharmacy prices are nationally representative. For calculating the best price under Price Compare, we selected zip codes in Little Rock, Arkansas, and Albuquerque, New Mexico. 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.

## **Findings**

Tables 1 and 2, attached, illustrate the savings available through Medicare-approved drug discount cards for generic drugs through retail and mail order pharmacies. For example:

- A beneficiary in Albuquerque, New Mexico, could enroll in a Medicare drug discount card and pay \$77.09 per month for Glucophage, a brand name drug used in the treatment of diabetes. If the beneficiary switched to the generic (metformin), savings of about 77 percent could be realized (savings of about \$59 per month).
  - And, the best Medicare-approved drug discount card price for metformin is over 53 percent lower than the national average retail pharmacy price, the price actually paid by typical Americans for this drug.
  
- A beneficiary in Little Rock, Arkansas, taking Vasotec (an antihypertensive) could enroll in a Medicare-approved drug discount card and pay \$46.40 per month for this drug. If the beneficiary switched to the generic, savings of almost \$38 per month are available.
  - And, the best Medicare-approved discount card generic price for this geographic area is significantly below the national average retail price.

**Table 1. Savings from Generics (1)**

<b>Drug Name - Generic (Brand name) by Location</b>	<b>Dosing</b>	<b>Medicare Drug Discount Card Lowest Brand Monthly Price</b>	<b>Medicare Drug Discount Card Lowest Generic Monthly Price</b>	<b>Savings (\$) from Generic</b>	<b>% Savings from Generic</b>
warfarin (Coumadin)	2.5 mg per day				
- Albuquerque, NM (87104)		\$19.76	\$10.63	\$9.13	-46.2%
- Little Rock, AR (72211)		\$19.76	\$10.63	\$9.13	-46.2%
metformin (Glucophage)	850 mg twice per day				
- Albuquerque, NM		\$77.09	\$18.07	\$59.02	-76.6%
- Little Rock, AR		\$77.09	\$18.07	\$59.02	-76.6%
furosemide (Lasix)	40 mg per day				
- Albuquerque, NM		\$7.44	\$3.44	\$4.00	-53.8%
- Little Rock, AR		\$7.44	\$3.44	\$4.00	-53.8%
benazepril hcl (Lotensin)	10 mg per day				
- Albuquerque, NM		\$31.48	\$7.96	\$23.52	-74.7%
- Little Rock, AR		\$31.48	\$7.96	\$23.52	-74.7%
glyburide (Micronase)	2.5 mg per day				
- Albuquerque, NM		\$18.83	\$6.07	\$12.76	-67.8%
- Little Rock, AR		\$18.83	\$6.07	\$12.76	-67.8%
lisinopril (Prinivil)	5 mg per day				
- Albuquerque, NM		\$28.20	\$8.67	\$19.53	-69.3%
- Little Rock, AR		\$28.20	\$8.80	\$19.40	-68.8%
fluoxetine hcl (Prozac)	20 mg per day				
- Albuquerque, NM		\$103.54	\$8.22	\$95.32	-92.1%
- Little Rock, AR		\$103.54	\$8.22	\$95.32	-92.1%
enalapril (Vasotec)	20 mg per day				
- Albuquerque, NM		\$46.40	\$8.41	\$37.99	-81.9%
- Little Rock, AR		\$46.40	\$8.41	\$37.99	-81.9%
verapamil hcl (Verelan)	240 mg per day				
- Albuquerque, NM		\$58.54	\$23.10	\$35.44	-60.5%
- Little Rock, AR		\$58.54	\$23.10	\$35.44	-60.5%
lisinopril (Zestril)	20 mg per day				
- Albuquerque, NM		\$29.20	\$10.77	\$18.43	-63.1%
- Little Rock, AR		\$29.20	\$11.42	\$17.78	-60.9%

(1) Data Source: Medicare Price Compare 6/1/04.

**Table 2. Savings from Medicare Drug Discount Card's  
Generic Prices vs National Average Retail**

<b>Generic (Brand Name) by Location</b>	<b>Dosing</b>	<b>National Retail Average Monthly Price (Generic) (1)</b>	<b>Medicare Price Compare Lowest Generic Price (2)</b>	<b>\$ Diff</b>	<b>% Diff</b>
<b>warfarin (Coumadin)</b>	<b>2.5 mg per day</b>	\$17.40			
- Albuquerque, NM (87104)			\$10.63	\$6.77	-38.9%
- Little Rock, AR (72211)			\$10.63	\$6.77	-38.9%
<b>metformin (Glucophage)</b>	<b>850 mg twice per day</b>	\$38.70			
- Albuquerque, NM			\$18.07	\$20.63	-53.3%
- Little Rock, AR			\$18.07	\$20.63	-53.3%
<b>furosemide (Lasix)</b>	<b>40 mg per day</b>	\$6.00			
- Albuquerque, NM			\$3.44	\$2.56	-42.7%
- Little Rock, AR			\$3.44	\$2.56	-42.7%
<b>lisinopril (Zestril)</b>	<b>20 mg per day</b>	\$18.00			
- Albuquerque, NM			\$10.77	\$7.23	-40.2%
- Little Rock, AR			\$11.42	\$6.58	-36.6%
<b>enalapril (Vasotec)</b>	<b>20 mg per day</b>	\$24.30			
- Albuquerque, NM			\$8.41	\$15.89	-65.4%
- Little Rock, AR			\$8.41	\$15.89	-65.4%

(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 6/1/04