

# Medicare Drug Discount Cards: A Work in Progress

Prepared for the Kaiser Family Foundation

by

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July 28, 2004

# Study Objectives

- Assess Discount Card and TA programs – mainly from beneficiary perspective
- Provide a “first look” at the following:
  - Role and characteristics of discount card programs
  - Beneficiary enrollment and outreach
  - Prices
    - Do discount cards deliver savings?
    - Does choice of card matter?
    - Have prices changed over time?

# Our Sources of Information

- Tools available to beneficiaries and those who advise them
  - Medicare.gov website (PDAP)
  - Discount card sponsors' websites
  - CMS outreach/educational materials
- Program data from CMS
  - Information on card sponsors/contracts
    - CMS was responsive to our stream of questions on a wide range of related issues

# Discount Card Sponsors and Programs: Major Characteristics

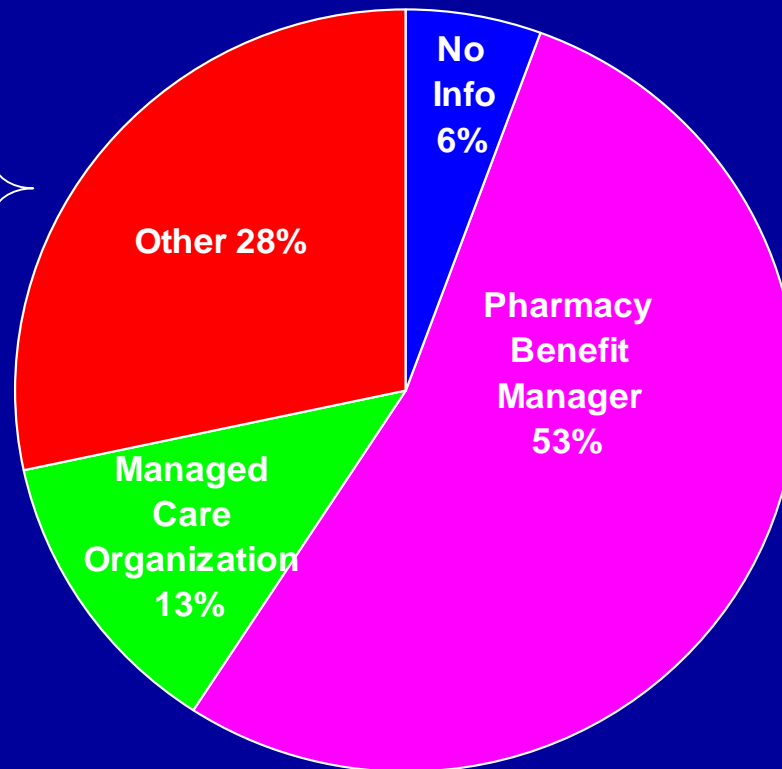
# Who are the Card Sponsors?

- Buyer Beware?
  - CMS requires card sponsors to meet specific organizational, financial standards
  - But, little information on the sponsors from CMS or from sponsor's website/ brochures
- Of general cards (non-MA card programs):
  - 53% are PBMs
  - Rest: TPAs, discount card vendors, IT firms, pharmacy chains or associations, non-specified
  - Co-branders: often not specified

# Types Of Sponsors Of Medicare-Approved Drug Discount Cards

Total = 72 General National and Regional Card Sponsors

- Discount Card Vendor
- Retail Pharmacy
- Chain Drugstore Alliance
- Third Party Administrator
- Information Technology



SOURCE: CMS, May 21, 2004.

# Fewer Card Choices than Meet the Eye

- Originally 39 national card programs
- Now 34 because 5 dropped out
- Several sets of cards really same option
  - Same prices
  - Save discounted drugs
  - Same pharmacy network
  - Only differences: enrollment fees or mail order options
- In any one week, 2 or more cards missing information on PDAP

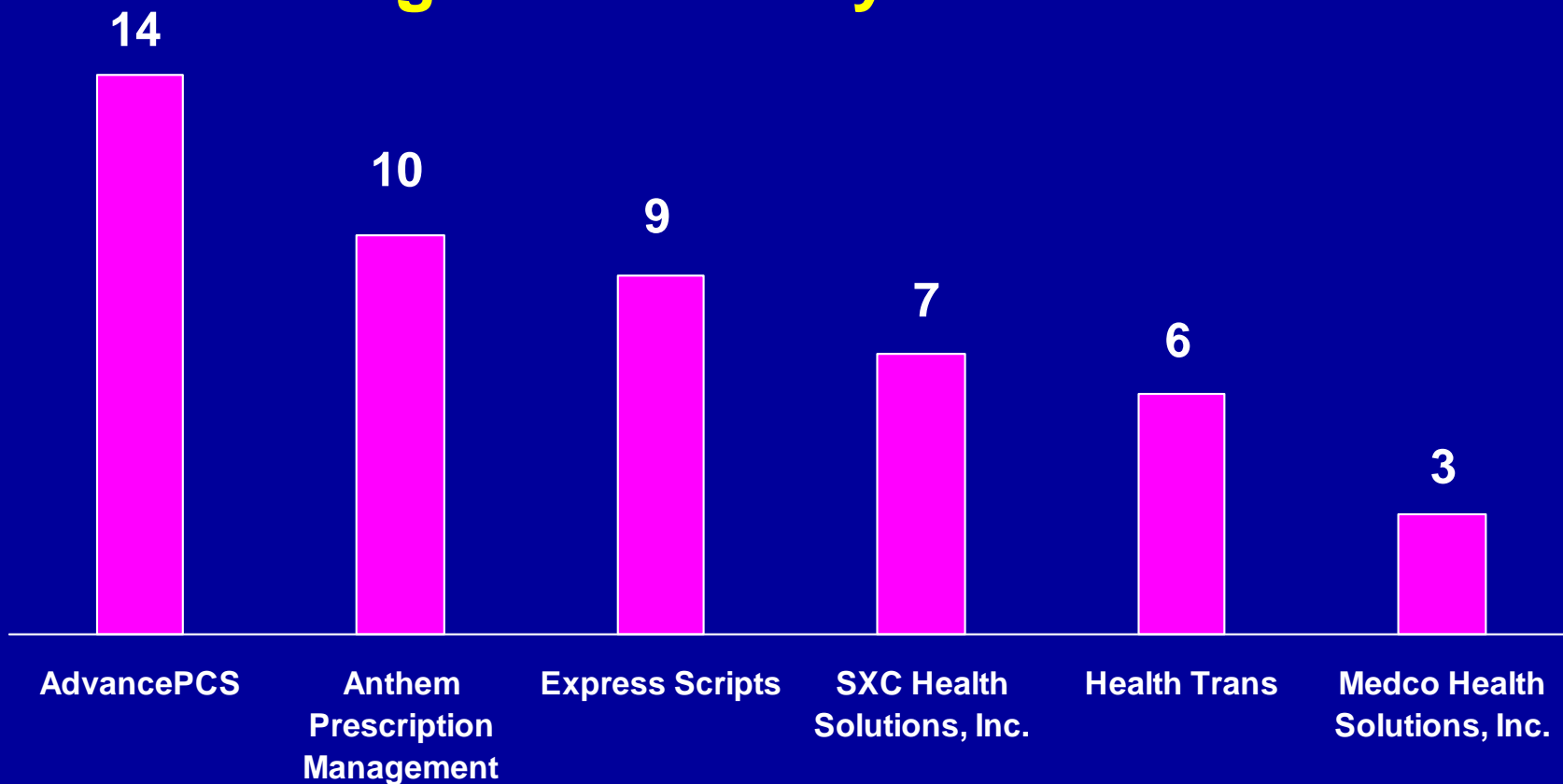
# Number of Cards Available

## Case Example: McLean, Virginia

- McLean Virginia (22101) –
  - Pharmacies within 7 mile radius
- Three commonly prescribed drugs
  - Fluoxetine, Nadolol, Celebrex
- Medicare.Gov (PDAP) results –
  - 33 cards discounting the 3 drugs (including 2 regional cards)
  - 6 (AdvancePCS/Caremark) - same prices, etc.
  - Four additional sets of two cards each – same prices, etc.
  - Unique choices = Not 33 but 24



# Number Of Medicare-Approved Drug Discount Card Contracts Per Pharmacy Benefit Manager/Third Party Administrator



SOURCE: CMS unpublished data, June 2004.

NOTES: PBMs and TPAs linked to fewer than three sponsors and contracts with exclusive card programs not shown. CMS data on PBM/TPA affiliation missing for six card programs.

# Drug Lists/Formularies

- Regulations require that at a minimum:
  - 1 Rx in each of 209 categories & 1 generic Rx in 95% of categories for which generic available
- No way to generalize on extensiveness of formularies
- Card sponsors vary in way they describe drugs for which they provide discounts
  - Web-based search tools
  - “Top 100” drug lists
  - Medicare.gov (PDAP) – drug-specific
- Very high cost Rx -- beneficiary needs to be vigilant -  
- check with card sponsor before enrolling
- TA can be used for non-formulary drugs
- Formularies more important for Part D program

# Coordination with State Pharmacy Assistance Programs (SPAPs)

- 7 of 31 SPAPs (including big 3)– doing “auto-enrollment” of members into discount cards and TA.
  - CT, ME, MA, MI, NJ, NY, PA
- 2 states – provided SPAP enrollees with filled out applications – only require signature
  - Ohio and RI
- States vary in whether and how they wrap around their SPAPs with discount cards/TA
  - Reflects wide variation in SPAP eligibility requirements and benefits

# Availability Of Assistance For Low-Income Beneficiaries After Exhaustion Of \$600 Credit

## Agreements Between Drug Manufacturers and Medicare-Approved Drug Discount Card Programs to Provide Additional Discounts

Drug Manufacturer	Number of Agreements
Abbott	4
Astra Zeneca	6
Eli Lilly and Company	27
Johnson & Johnson	12
Merck	27
Novartis	20
Pfizer	1*

SOURCE: [www.cms.hhs.gov/medicarerereform/drugcard/mfragreements.asp](http://www.cms.hhs.gov/medicarerereform/drugcard/mfragreements.asp), July 6, 2004.

\* NOTES: On July 7, 2004, Pfizer announced that it will give access to many of its drugs for a flat fee of \$15 per prescription for TA beneficiaries who are enrolled in any Medicare-approved drug discount card. Press release, [www.pfizer.com](http://www.pfizer.com).

# Beneficiary Enrollment, Education, and Outreach

# Enrollment Process

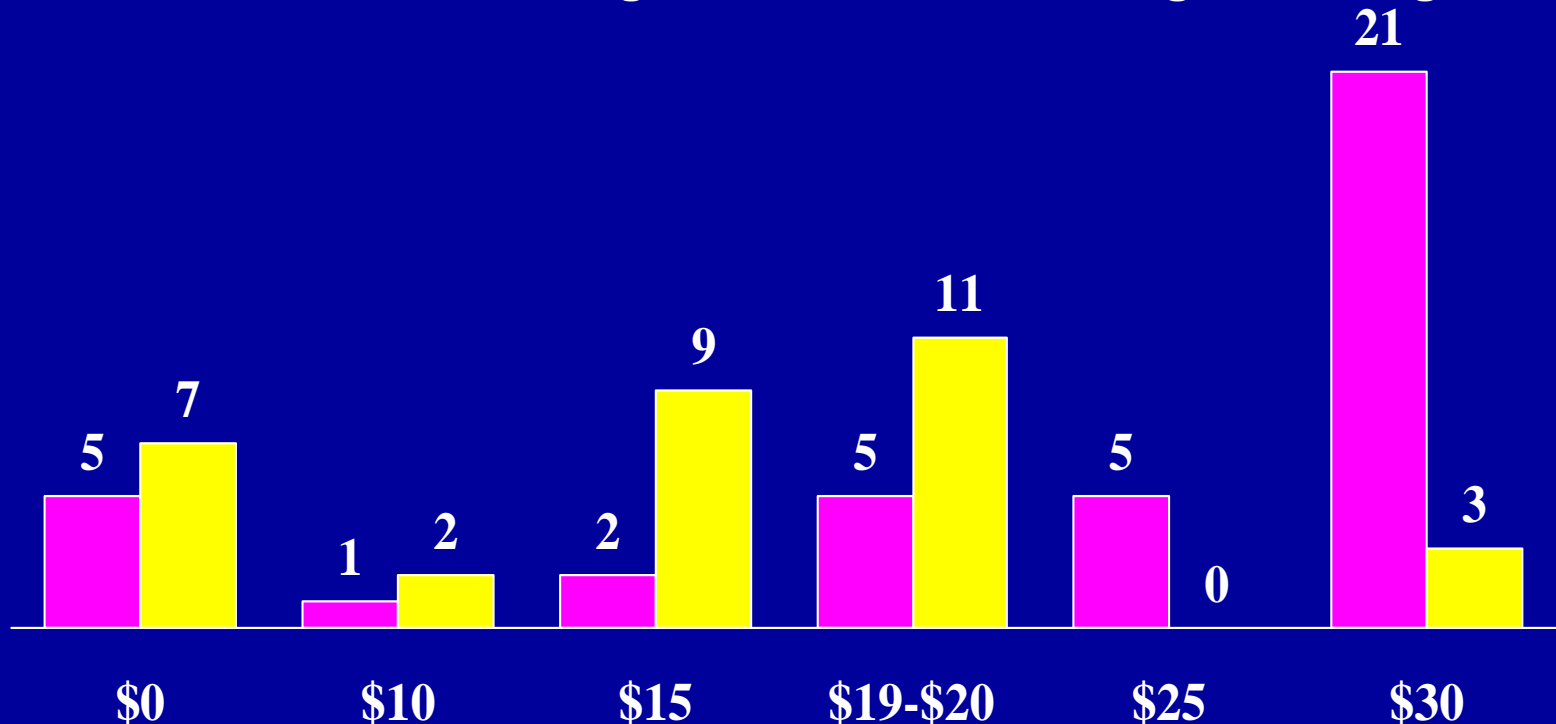
- General enrollment
  - Card sponsor responsibility
  - CMS verification
- Transitional Assistance enrollment
  - Requires signed application
- Auto-enrollment
  - MA plans into exclusive cards
  - SPAPs

# Discount Card Enrollment Fees

- Free cards are available but most charge a monthly fee
  - Of originally approved 39 national cards
    - Majority charge \$30
    - 5 cards = free
  - Regional cards = fees tend to be less

# Annual Enrollment Fees For Medicare-Approved Drug Discount Cards

■ Number of National Programs ■ Number of Regional Programs



SOURCE: Centers for Medicare & Medicaid Services (CMS).

NOTES: Current as of July 11, 2004. Some regional card programs charge different fees in different states.



# Eligibility and Enrollment

## Discount Cards

- Eligibility: All except those with full Medicaid benefits
- Enrollment: 3.9 million as of July 2004
  - 2.3 million auto-enrolled by MA plans
  - Many auto-enrolled by State Pharmacy Assistance Programs
  - Unclear number who voluntarily enrolled

## Transitional Assistance (\$600 credit)

- Eligibility: 7.2 million (CMS)
- Enrollment: 1 million (July CMS Report)

# Beneficiary Outreach

- CMS activities:
  - 1-800 Medicare
  - Medicare.gov
  - Grants to SHIPS/AAs/community orgs.
  - Ads & direct mail
- Card sponsors:
  - Toll-free phone lines
  - Internet
  - Print materials

# Beneficiary Safeguards

- Price change monitoring
- “Mystery shopping”
- Complaint monitoring

# Lessons Learned

- Many choices available: too many?
  - Choice is valued
  - Excessive choice is confusing
- Medicare.gov price comparison website improving
  - Reliability of sponsor data uneven
  - Most beneficiaries not Internet users
- Nearly 4 million beneficiaries enrolled
  - Individual enrollment has lagged
  - Unclear how many receiving better benefits as a result
- Effective education is costly
  - Nearly \$50 million spent
  - Most beneficiaries prefer one-on-one counseling

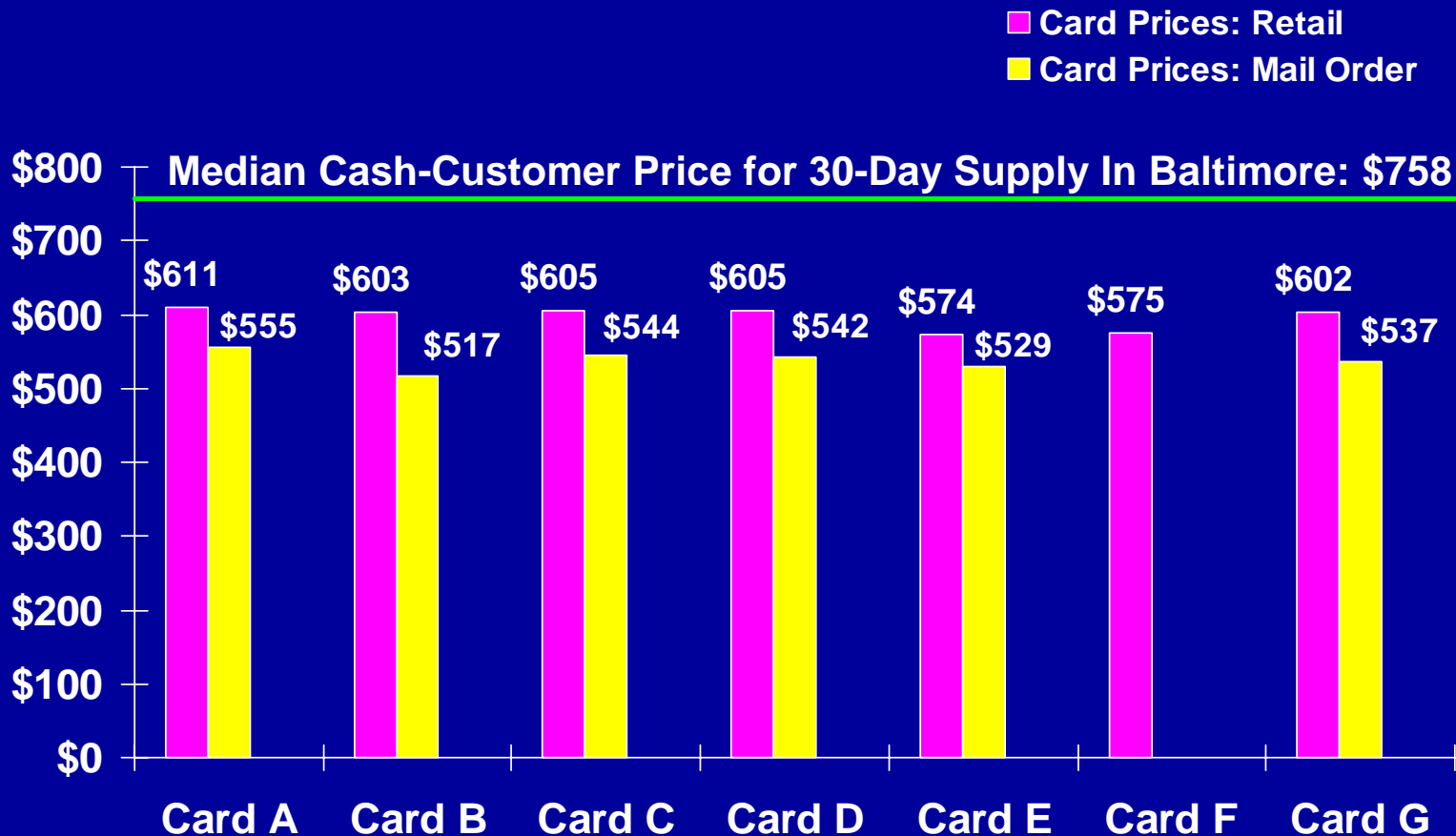
# Pricing Analysis

# Methodology

- Limited because data base underlying Medicare.gov's PDAP unavailable:
  - Selected 7 card programs
  - Sample of 10 common drugs
  - Limited areas of country
- Limits ability to generalize findings
- BUT: All studies have same limitation (including those by CMS)

# Medicare-Approved Drug Discount Cards Do Offer Savings

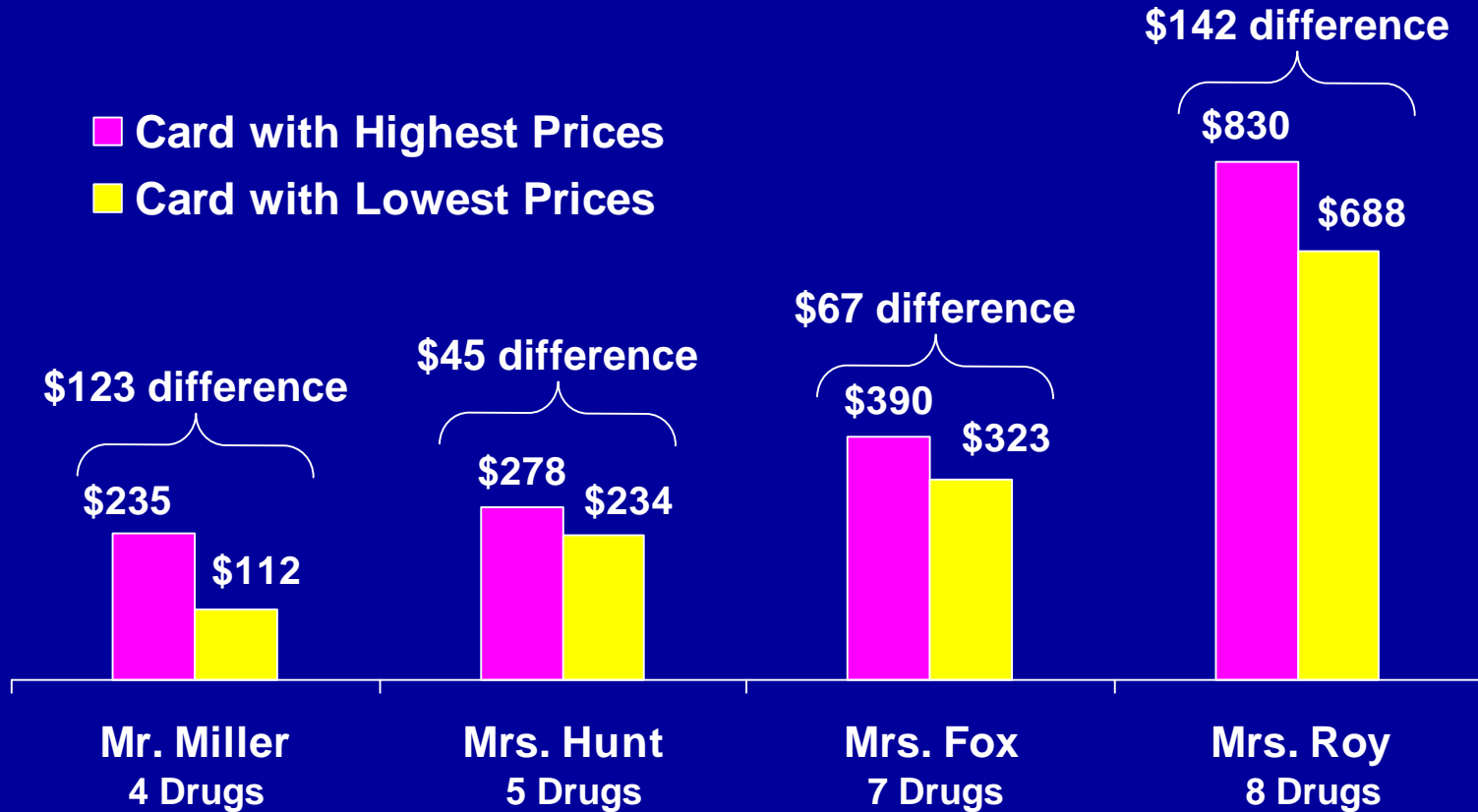
## Comparison Of Medicare-Approved Drug Discount Cards And Cash-Customer Prices



NOTES: Prices for a basket of 10 commonly prescribed drugs for Medicare-age population. Cash-customer prices reported by Maryland Attorney General. For purposes of comparison, mail order prices were adjusted to reflect a 30-day supply. Card F does not offer mail order.

# Choice Of Card Makes A Difference

Difference Between Highest And Lowest Retail Drug Prices Offered By Medicare-Approved Drug Discount Cards (30-Day Supply)



SOURCE: Medicare.gov, June 28, 2004.

NOTES: Retail prices for 30 day supply of each patient's basket of brand and generic drugs (if available) from pharmacies within 2.25 miles of zip code 21211 in Baltimore, MD.



# Prices Offered By Medicare-Approved Drug Discount Cards Compared With Costco Mail Order And Drugstore.com

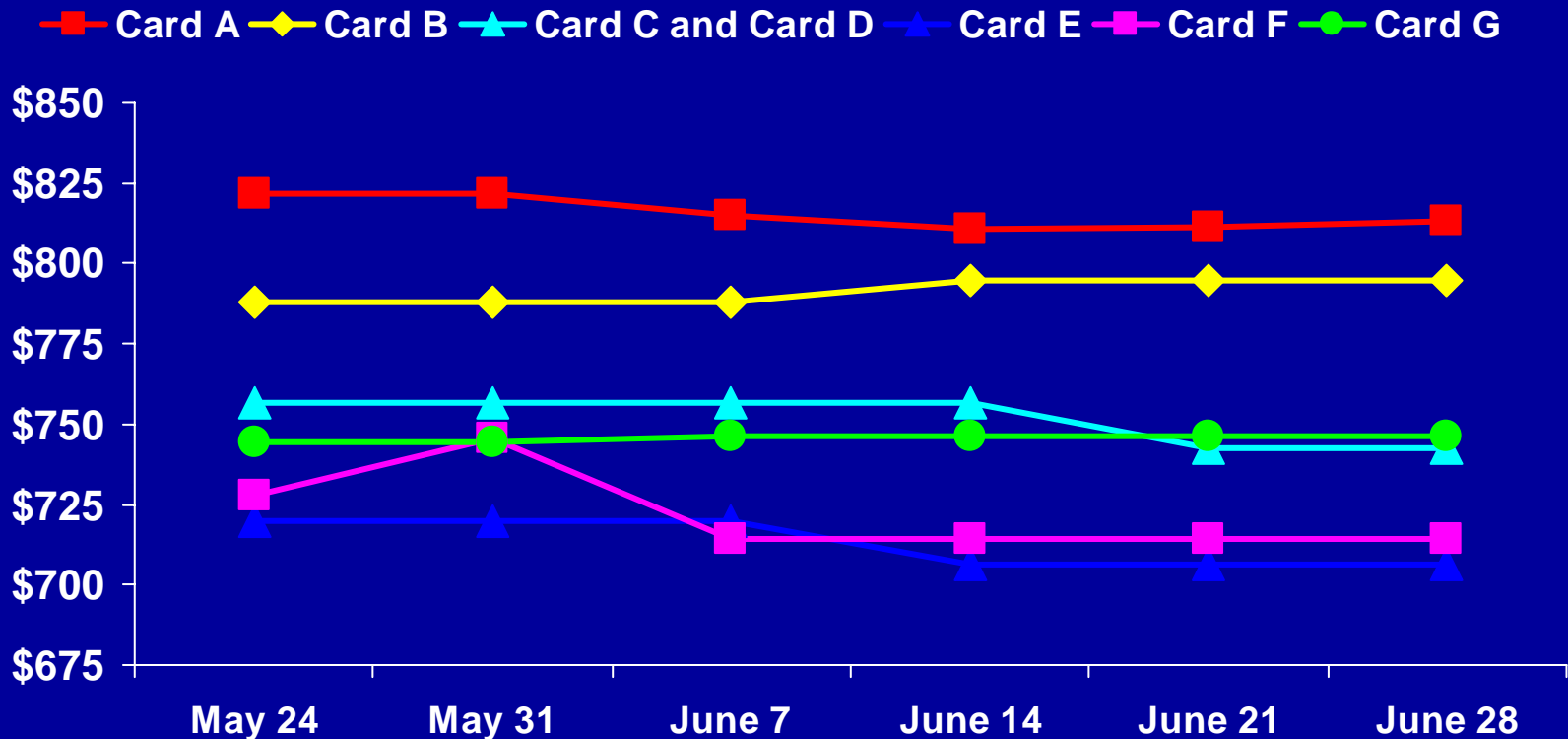
Mail Order Prices (90-Day Supply)



NOTES: Prices for a basket of 10 commonly prescribed drugs for Medicare-age population. Costco price assumes purchaser has a Costco membership; drugs are available without membership for an additional 5%.

# Medicare-Approved Drug Discount Card Prices Are Relatively Stable

Prices Offered By Seven Selected Medicare-Approved Drug Discount Cards - Illustrative Example for Mrs. Roy



NOTES: Prices reflect mid-point in range of prices reported on Medicare.gov. Card A missing price data for June 7 and June 21, 2004; midpoint estimates used for missing weeks. Card C and Card D reported the same prices for this patient's basket of 8 drugs.

# Summary

- At least some cards offer value when compared to cash customer prices
  - Value of any card to transitional assistance enrollees is obvious
- Even more savings are possible through mail order and/or generic substitution
  - Cards may facilitate switching
- Choice of card matters to individuals
- Prices have remained stable
  - Have not gone down as anticipated