



Statement of

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Before the

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Forum on
Recent Analyses of the Medicare Prescription Drug Card
and Transitional Assistance Programs

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Chairman Craig, Senator Breaux and members of the committee, I want to thank you, on behalf of the members of the Healthcare Leadership Council, for the opportunity to participate in this very timely and very important forum. This committee is to be commended for convening an event that will help give Medicare beneficiaries essential information about a program that can affect both their health and their finances.

It would seem implausible that there would be controversy over the Medicare prescription drug discount card and the accompanying transitional assistance programs. After all, who could possibly be critical of a program that is intended to save seniors money on their prescription drug purchases, and that offers considerable assistance to beneficiaries with low incomes? And yet, there has been controversy. There has been heated political rhetoric about the program. And, consequently, it would not be surprising if some senior citizens and Medicare-eligible disabled individuals are confused as to whether it is advisable or worthwhile to enroll in the Medicare drug discount card program.

That's why today's forum is so valuable. We have an opportunity to place objective facts on the table, to enable beneficiaries to see whether or not this program will be of benefit to them.

Before I discuss the economic study that the Healthcare Leadership Council is contributing to today's discussion, let me first explain the perspective we bring to this issue.

The Healthcare Leadership Council is a coalition of chief executives of many of the nation's premier health care companies and institutions. It is an organization dedicated to the pursuit of policies and legislation that will make health care more affordable, more accessible, and of the greatest achievable quality. On this particular issue, it is important to note that HLC has among its members a number of pharmaceutical manufacturers. Our membership also includes a large number of direct providers of health care, institutions that have a strong interest in purchasing prescription drugs at the lowest possible price. Because of our diverse membership, the Healthcare Leadership Council comes to this issue with no preconceived agenda other than helping Medicare beneficiaries have the facts that will make them more effective health care consumers.

When the drug discount card enrollment period began and the political debate intensified, Americans – particularly Medicare beneficiaries – heard or read numerous comments that the cards simply weren't worth it. Many were also concerned that it would be too much of a hassle to apply and that they would see little or no savings anyway. That begged the question – would an average Medicare beneficiary, a man or woman who didn't already have some kind of prescription drug coverage, see significant savings by enrolling in the drug discount card program? Rather than engage in the political crossfire taking place over this initiative, the members of the Healthcare Leadership Council thought we should simply attempt to answer that core question.

So we engaged The Lewin Group to assist us in this task. We chose Lewin because of the firm's experience and expertise in consulting on health and human services issues. Just as importantly, though, we selected The Lewin Group to perform this study because of its well-earned reputation for a non-partisan, non-ideological, strictly analytical approach to questions such as this. We were determined that the results of this study would be beyond reproach.

We asked Lewin to take a real-world approach to the drug discount card issue. Specifically, the study we commissioned compares Medicare discount card prices, as posted on the CMS website, to average retail prices in each state for the 150 prescription drugs most commonly used by senior citizens. Lewin also compared prices for a market basket of the 25 most-frequently-prescribed drugs for Medicare beneficiaries, and also for typical multiple-drug regimens used to treat common chronic diseases. Finally, we also looked at the full impact being experienced by low-income seniors who use both the drug discount card as well as the Medicare transitional assistance program and manufacturer assistance programs.

We collected the price data from the Medicare website during the first and second weeks of June 2004 as beneficiaries were beginning to enroll in the program. Then, Lewin went back and collected the information again during the last week of July to ensure that prices had not significantly changed. They had not. Estimates of overall savings were basically the same in July as they were in June.

Mr. Chairman, the full Lewin Group study and accompanying tables have been made available to the committee. The material is also available to the public through the Healthcare Leadership Council website (www.hlc.org). In my statement today, I would like to highlight some of the key findings of this study.

Overall Per Capita Savings

Medicare beneficiaries who enrolled in the drug discount card program and began using their cards on July 1, 2004 will save an average of \$1,247, compared to their median current retail spending of \$3,514. Those who have incomes below 135 percent of poverty and qualify for the \$600 annual low-income credit will save an average of \$1,548 over that same 18-month period running through the end of the program in December 2005.

Let's look at savings on individual prescriptions. Nationally, the best discount cards will save beneficiaries an average of almost \$10 per prescription, representing a discount of just over 20 percent. We know that not every Medicare beneficiary will have the best possible card although, because of the way the CMS website and telephone assistance programs are structured, beneficiaries will receive one of the best cards for their specific medication needs. But, even if a beneficiary doesn't have the best possible card, significant savings will still be achieved. More than half of the drug discount cards deliver savings of over 17 percent, or \$8.48 per prescription.

As noted earlier, we wanted this to be a study with real world impact, reviewing the actual drugs that senior citizens are using everyday. We found that, surveying the most-frequently-used 150 drugs, the best available price from any card sponsor represents an average savings per prescription of \$17.37, or 23 percent.

It should be noted that there is very little variation in discounted prices between rural and urban regions. In fact, the best available price for any medication is generally offered consistently across all markets. Where we do see per capita savings variations is in states that have a higher proportion of low-income seniors. In Louisiana, for example, seniors are saving on average \$1,902 from July 1, 2004 to the end of 2005, when the program concludes, compared the national per capita average of \$1,247.

Savings for Beneficiaries with Chronic Diseases Requiring Multiple-Drug Regimens

Continuing to measure the real-world impact of the drug discount card program, we also asked The Lewin Group to examine the level of savings for seniors who are taking multiple medications for common chronic diseases. In this case, savings for each of the drug regimens were estimated by collecting drug prices using a single discount card at a single pharmacy. We also used, for calculation purposes, the most frequently prescribed drugs for these chronic conditions.

We have found, for example, that a senior citizen with hypertension, taking two hypertension drugs and a diuretic, would normally pay \$921 annually for those medications at average retail prices. Using the Medicare-approved drug discount card, that beneficiary would save \$254, or 28 percent on that drug regimen.

A senior citizen afflicted with diabetes and hyperlipidemia using the Medicare-approved card will save \$878 on average retail spending of \$3,337, for a savings of 26 percent. A patient taking three commonly prescribed drugs for coronary artery disease will save \$531 using the Medicare-approved card on average retail spending of \$2,562 for savings of 21 percent.

An even greater impact is seen when low-income seniors use the drug discount card, Medicare transitional assistance and drug manufacturer assistance programs.

Savings for Low-Income Beneficiaries

In addition to the savings provided by the Medicare-approved drug discount cards, beneficiaries with low annual incomes have two additional sources for savings. Beneficiaries with incomes below 135 percent of poverty are eligible to receive a \$600 annual federal credit. It is possible for eligible seniors to receive \$1,200 in credits over the life of the discount card program.

Additionally, a number of drug manufacturers are offering new low-income assistance programs to participants in the drug discount card program. In short, if a beneficiary

uses up his or her \$600 transitional assistance credit before the end of the year, these manufacturers make drugs available at either minimal cost or no cost at all. There are at least 35 discount cards that participate with one or more manufacturer programs. If an eligible beneficiary is enrolled with one of these 35 discount cards, then they are automatically enrolled in the applicable manufacturer assistance program.

The impact of this combined assistance is substantial. Take, for example, the savings experienced by an eligible senior suffering from diabetes and hyperlipidemia. As mentioned earlier, a beneficiary using only the discount card will save \$878 on average annual retail spending of \$3,337. A beneficiary with the card and the \$600 low-income credit will save \$1,478. And, a beneficiary using the card, low-income credit and manufacturer assistance program will save \$2,198, or 66 percent off the average retail price.

Even if you take the manufacturer assistance program out of the equation, the savings are substantial. A senior citizen with hypertension, as mentioned earlier, will pay an average of \$921 per year for their drug regimen. Using the discount card and the \$600 low-income credit, that beneficiary will pay only \$67 per year, a savings of 93 percent.

National Aggregate Savings

Seniors and Medicare-eligible disabled individuals will save, collectively, billions of dollars on their prescription drug purchases over the course of the drug discount card program.

The Lewin Group study estimates that, if enrollment continues at its current pace, beneficiaries will experience an aggregate savings of \$7.7 billion over an 18-month period. This figure is reached, Mr. Chairman, by using conservative assumptions. If we calculated aggregate savings using the assumption that every beneficiary would choose the very best discount card, the aggregate total would actually be \$8.7 billion. We are instead assuming that enrollees will select drug discount cards in the 75th percentile with average savings of 19.9 percent.

Conclusion

This comprehensive study has enabled us to answer the question, "Is it worthwhile for Medicare beneficiaries without prescription drug coverage to enroll in the drug discount card program?" The study results tell us conclusively that seniors will, on average, experience savings of approximately 20 percent on their prescriptions, and will save hundreds of dollars on their medication purchases over the life of the program. Furthermore, low income seniors will see their drug costs frequently cut by more than half when using the discount card, the \$600 federal credit and manufacturers assistance programs.

The Lewin Group study did not address the discount card enrollment process, but a point needs to be made here as well. The Centers for Medicare and Medicaid Services

deserves considerable credit for its responsiveness to beneficiary concerns, expressed in the initial days of the enrollment process, over the complexity of the program. CMS has taken steps to simplify and improve its Internet-based program and has added additional customer service representatives to assist those who use the toll-free 800 number, 1-800-MEDICARE.

It is simply wrong for any individual or organization to discourage a Medicare beneficiary from applying for a discount card using the arguments that it is too complicated or that it will generate little in the way of savings. The Lewin Study shows compellingly that the discount cards are generating substantial savings, and any senior citizen that wants to enroll without using the Internet can do so by speaking to a trained customer service representative.

Mr. Chairman, for seniors who have not enrolled in this program and who have no other form of prescription drug coverage, every day that goes by represents money they are leaving on the table that cannot be recouped. It is regrettable if there are seniors who have been dissuaded by political controversy from enrolling in a program that can make a substantial positive difference in their lives. It is our hope at HLC that by putting this information into the public domain, and through efforts and initiatives like those undertaken by this committee, we can encourage seniors – particularly those with low or fixed incomes – to take advantage of this program and begin saving money on their essential prescription drug purchases. Thank you very much.