



May 11, 2004

## Medicare R<sub>x</sub> Discount Cards: Sorting Myth from Fact

### Introduction

On May 3, the Medicare program began offering the nation's seniors and disabled individuals the opportunity to apply for a prescription drug discount card as the first step toward reducing outpatient drug expenses. The cards – authorized as a result of the Medicare reform law passed by Congress last year – are expected to provide significant savings from the national average retail pharmacy price for most prescription drugs. In addition, seniors with incomes below \$12,600 for singles and \$16,900 for couples will receive an annual \$600 credit toward their drug expenses. About 17 percent of current Medicare beneficiaries will qualify for this credit. Yet before beneficiaries even have the chance to test their new discount cards in the marketplace, some Democrats are heaping scorn on the program and suggesting foreign pharmacies are the better option.<sup>1</sup>

Republicans are committed to ensuring that Medicare beneficiaries have access to affordable and safe prescription drugs. The Medicare prescription drug discount card program achieves that goal as the first of a multi-step process toward making drug expenses more affordable. Unfortunately, some lawmakers have chosen to ignore this, instead claiming that some online pharmacies, including Canadian pharmacies, advertise drug prices that uniformly are lower than the Medicare card prices.<sup>2</sup> However, now that prices have become transparent, new research

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<sup>1</sup>See, for example, remarks by Senate Minority Leader Tom Daschle in the *Congressional Record* on May 4, 2004.

<sup>2</sup>Minority Staff report, Committee on Government Reform, U.S. House of Representatives, "New Medicare Drug Cards Offer Few Discounts," April 30, 2004. Report requested by Rep. Henry A. Waxman (D-CA).

shows that drug card prices are competitive<sup>3</sup> – not to mention that the cards provide the added guarantees of safety and efficacy that foreign pharmacies lack. This paper will separate the myths from the facts regarding the new discount card program and its ability to better protect consumer health.

## **Saving Money Without Having to Leave Behind Local Pharmacy**

The drug discount card program was created to provide Medicare beneficiaries with savings for the interim period until the full voluntary prescription drug benefit is implemented in 2006. According to the Centers for Medicare and Medicaid Services (CMS), beneficiaries are “estimated to save up to \$5.1 billion” from the Medicare discount cards during the next 18 months.<sup>4</sup> The amount of savings will vary among individuals, depending upon the type of card chosen. For instance, some cards may offer either no or low enrollment fees, and some may offer discounts at specific neighborhood or mail order pharmacies. Additional savings may be attributed to manufacturer rebates or the use of generic drugs.

The important point is that, for the first time, beneficiaries have the ability to reduce their out-of-pocket drug expenses at their local drugstore through the help of the Medicare prescription drug discount program – while maintaining the added benefit of face-to-face consultations with their local pharmacist. Seniors realize the value in such communication: a study conducted by Wirthlin Worldwide last year found more than 60 percent of Americans value a trusting relationship with their pharmacist.<sup>5</sup> A good pharmacist can help track drug interactions, can double-check about patients’ allergies, and also is able to provide reliable information about both prescription and over-the-counter drug choices.

## **Obtaining Clear Price Comparisons**

Rather than subject seniors and disabled individuals to navigating through literally hundreds of thousands of Internet pharmacies<sup>6</sup>, the Medicare drug discount card program provides them with consumer-friendly tools to make some of their most important health care decisions.

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<sup>3</sup>Centers for Medicare and Medicaid Services (CMS), “Medicare-Approved Drug Discount Cards Provide Drug Prices Significantly Below Average Paid by Americans,” May 6, 2004.

<sup>4</sup>CMS, “Savings From New Medicare-Approved Drug Discount Cards,” White Paper, May 2004.

<sup>5</sup>Wirthlin Worldwide, “Attitudes About Pharmacies and Pharmacists,” National Survey, April 2003.

<sup>6</sup>A Google search conducted on May 6, 2004 using the words, “pharmacy prescription” revealed more than 3.49 million “hits.”

The Medicare prescription drug card offers beneficiaries two simple methods to obtain current pricing information: they may either call a toll-free (monitored 24 hours, English and Spanish) number – 1-800-MEDICARE – and speak with someone in person; or they may review information and apply online at [www.medicare.gov](http://www.medicare.gov). This website, which is updated weekly, reflects the most current prices that seniors can expect to receive from the various card sponsors. And while press reports indicated some initial confusion and glitches with the web site and the toll-free number, Medicare officials are confident such difficulties quickly will be addressed. Officials also note that while the discounts go into effect on June 1, there is not an application deadline. Those who do not have immediate prescription needs can feel comfortable in waiting and monitoring price changes for their respective drugs. In fact, the government web site encourages seniors to revisit the site before making any final selection: “Look at the information that is available now and visit again before you sign up to select the card that is best for you.”<sup>7</sup>

## Further Reducing Drug Prices

According to CMS, after the first week of implementation, the findings indicate that cardholders will save 10 percent to 17 percent for name-brand drugs off the national average retail pharmacy price, and will save between 30 percent and 60 percent for generic drugs.<sup>8</sup> And CMS projects the savings will grow as drug card sponsors compete for enrollees and compare prices. For this reason, beneficiaries should not be unduly alarmed by the fact that once they have enrolled in the program they cannot change their enrollment until the next open enrollment period (which begins in November). CMS officials note that enrollment will remain an ongoing process, as new beneficiaries become eligible for Medicare. Thus, customer satisfaction with the drug-card discounts and the participating companies’ reputations will determine how many new customers they will attract and how many they will retain after the conclusion of the next open enrollment period.

Furthermore, CMS notes that the law prohibits drug card sponsors *from increasing prices arbitrarily* – sponsors must actually incur an increase in their own production costs in order to raise their prices. Meanwhile, the law allows sponsors *to reduce* prices at will in order to compete for customers. CMS intends to police any price fluctuations and may impose sanctions on companies that do not comply with the law.

## Maintaining Access to Safe Prescription Drugs

As some lawmakers continue to tout the Canadian pharmacies as a more favorable approach, consumers should be reminded of the Food and Drug Administration (FDA)’s repeated

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<sup>7</sup>[www.medicare.gov](http://www.medicare.gov)

<sup>8</sup>CMS, “Medicare-Approved Drug Discount Card Delivering Discounts,” Press Release, May 5, 2004.

warnings of the potential danger from prescription drugs that are ordered through foreign online pharmacies. For instance, during recent testimony before the Senate, William K. Hubbard, the FDA's associate commissioner for policy and planning, said the agency has found ample evidence of counterfeit and adulterated drugs that had been ordered online and had made their way across U.S. borders in bulk and individualized shipments. In addition, Mr. Hubbard provided an illustration of just how complex the world of Internet-provided drugs can be: he shared with Senators a copy of an Internet pharmacy's web site, which advertised inexpensive generic drugs shipped from Canada. However, in looking into this pharmacy, FDA investigators were led through an international maze with no connection to Canada: the pharmacy's web site server was located in China; a reorder address was in Belize; and a credit card charge was collected in St. Kitts.<sup>9</sup>

With their increased reliance on prescription drug therapy, U.S. consumers must have confidence that the treatments furnished to them are safe and effective. However, given current evidence, this reassurance cannot be guaranteed if consumers are encouraged to obtain prescription drugs from unknown, unregulated sources through the Internet. Based on the growing body of evidence the FDA has obtained, the problems associated with assuring drug safety and efficacy would only grow as more and more seniors are encouraged to turn to Internet pharmacies in order to save money.

## **Conclusion**

Seniors now have the opportunity to begin pocketing real savings from the rising cost of prescription drugs. Rather than depend on foreign – and unregulated – Internet sites, the Medicare drug discount card program provides beneficiaries with accessible information to assist in personal health care decisions. As the Medicare program continues to monitor and spot check drug card prices, beneficiaries can be reassured of significant savings – and that the products obtained are safe and are what they are claimed to be. Most important, as noted, the Medicare drug discount card program preserves the relationship between beneficiaries and their local pharmacy – a critical link in today's health care delivery system as Americans increasingly depend upon pharmaceuticals for medical treatment. Democrats who are using scare tactics or playing politics with this nascent program should withhold premature judgments.<sup>10</sup>

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<sup>9</sup>Joint Hearing of the U.S. Senate Subcommittee on Health Care and Subcommittee on International Trade, "International Trade and Pharmaceuticals," April 27, 2004.

<sup>10</sup>A press release from House Speaker Dennis Hastert, dated May 6, 2004, refers to remarks by AARP's national policy director John Rother criticizing Democrats, as quoted in *Roll Call*, and quotes Hastert saying, "It is the height of irresponsibility for Democrats to urge their constituents not to use this discount card...Rather than fully inform their constituents of the actual benefits of this discount card, Democrats want to scare and confuse seniors and demagogue and belittle the legislation..."