

Congress of the United States
House of Representatives
Washington, D.C. 20515

January 3, 2002

The Honorable Tommy G. Thompson
Secretary
Department of Health and Human Services
200 Independence Avenue, SW
Washington, D.C. 20201

Dear Secretary Thompson:

We are writing to provide you with important information from a recent General Accounting Office (GAO) study of prescription drug discount cards for seniors.¹ On July 12, 2001, President Bush announced a plan to provide seniors with access to Medicare endorsed prescription drug discount cards. You are now in the process of developing regulations to implement such a plan.²

We have long supported efforts to reduce drug prices for seniors and to provide a Medicare drug benefit for all beneficiaries, and we hope to work with you to achieve these goals. We are providing you with the GAO study because it indicates that unless the Administration requires the pharmaceutical companies to provide seniors with a meaningful discount, the drug discount card plan would provide minimal or no discounts. The Administration plan would do no better than existing cards in helping seniors afford the high cost of prescription drugs.

At our request, GAO obtained prices currently available to seniors at local pharmacies and on the internet and compared them to pharmacy and mail-order prices available to seniors who purchase drug discount cards. GAO obtained the prices from five drug discount card programs, four of which

¹GAO, *Prescription Drugs: Prices Available Through Discount Cards and From Other Sources* (Dec. 5, 2001).

²HHS, *Initiative to Endorse Prescription Drug Discount Programs (CMS-4027-P)*, Federal Register, 66:232, 61192-61193 (Dec. 3, 2001).

are offered by large pharmacy benefit management (PBM) companies.³ The prices obtained by GAO indicate that many seniors already have access to prices that are comparable to the prices available with drug discount cards. The GAO data also indicate that even when the cards do provide discounts, they are small and provide only minimal savings for seniors.

Seniors are most concerned by the high cost of brand-name drugs, which can often cost over \$100 for a monthly prescription. But the prices obtained by GAO for brand-name drugs clearly indicate that prescription drug discount cards do not provide prices that are significantly lower than those already available to seniors.

GAO obtained prices for 12 top-selling brand-name drugs⁴ in three major metropolitan areas (Washington, D.C., Seattle, and Chicago). In these metropolitan areas, the drug discount cards offer only minimal savings for seniors for these brand-name drugs. HHS claims that the cards will help seniors "get discounts of about 10% - 25% off of retail prices."⁵ But in fact, the results of the GAO survey indicate that the average drug card offers a discount of less than 10% compared to the average pharmacy price without the card.

GAO surveyed 14 pharmacies in the three cities. An analysis of the GAO data indicates that the average price for the 12 brand-name drugs at these pharmacies was \$68.56, compared to an average price of \$62.94 for the drug discount card programs. Overall, GAO data indicate that at seven of the 14 pharmacies surveyed in the three metropolitan areas, the drug cards offered discounts of less than 10%.

GAO found pharmacies in each area that offered the brand-name drugs at prices that were lower than or similar to the prices available with the drug cards. Seniors in Seattle without the discount cards were able to obtain the same drugs at one of the surveyed pharmacies for an average price of \$61.17 -- 3% lower than the drug card price. In Chicago, the same drugs were available without a discount drug card at one surveyed pharmacy for an average price of \$63.27. Similarly, the drugs

³The four PBMs are Merck-Medco Managed Care, Advance PCS, Express Scripts, and Wellpoint Health. The fifth card was the Citizens Health Card, which is offered by Citizens Energy, a non-profit company.

⁴The twelve brand-name drugs included in the GAO survey were Celebrex (200 mg), Evista (60 mg), Fosamax (70 mg), Glucophage (500 mg), Klor-Con (10 mEq), Lipitor (10 mg), Lipitor (20 mg), Norvasc (5 mg), Plavix (75 mg), Premarin (.625 mg), Prilosec (20 mg), and Zocor (20 mg).

⁵HHS Fact Sheet, *Medicare Rx Discount Card* (July 12, 2001).

were available without discount cards at one surveyed Washington, D.C., pharmacy for an average price of \$63.44.

Even in rural Georgia, where GAO also obtained prices and where retail prices were somewhat higher, seniors without drug cards were able to obtain many of the drugs at prices that were similar to those paid by seniors with drug cards.

There are numerous cases where individual drugs cost less without drug cards than they do with the cards. For example, the average price for Prilosec, the top-selling drug in the United States, was \$115.79 when using drug discount cards. But at local pharmacies, this same drug was available for as little as \$110.69 for seniors without the discount drug cards. Similarly, Norvasc, a blood pressure medication, cost an average of \$39.88 for seniors who used a discount drug card. But at some local pharmacies, this same drug was available for under \$37.00 for seniors without the discount drug cards.

Each of the drug cards requires seniors to pay annual fees. These fees typically range from \$12 to \$25 annually, and in one case are over \$140 annually.⁶ The annual fees for the cards reduce the value of the small discounts provided by drug cards even further. Moreover, even when seniors do purchase the drug cards, it is not clear if all pharmacies will accept them. Presently, many pharmacies do not accept the cards, and there is no provision in your plan that would require that all pharmacies participate. In fact, it appears that your plan would allow PBMs to set up a network that excludes pharmacies that serve up to 10% of Medicare recipients.⁷

The GAO data show similar results for internet and mail-order prescriptions filled by seniors using prescription drug cards. Seniors without prescription drug cards can already purchase drugs from at least one mail-order source that offers prices comparable to the prices paid by seniors with a drug cards. These prices are accessible to seniors in all areas of the country.

The GAO results do indicate one area where the discount cards offered some savings, in the case of generic drugs. The GAO report obtained prices for five popular generic drugs.⁸ The prices offered by the discount drug cards for generic drugs were typically less expensive than the prices

⁶*Prescription Drugs: Prices Available Through Discount Cards and From Other Sources*, *supra* note 1.

⁷CMS, *Medicare-Endorsed Rx Discount Card Initiative: Application*, 17 (Aug. 2, 2001).

⁸The five generic drugs were Atenolol (50 mg), Digoxin/Digitex (0.25 mg), Furosemide (40 mg), Hydrochlorothiazide (25 mg), and Metoprolol (50 mg).

available without the card. While these price differences represent a relatively large percentage difference, they represent only a small dollar savings for seniors. The average discount drug card offered a savings of only \$3.31 per prescription compared to prices available without the drug cards in Washington, Chicago, and Seattle. Because seniors spend significantly more money on brand-name drugs,⁹ and because brand-name drugs are the most expensive and difficult drugs for seniors to afford, the small savings that discount drug cards offer on generic drugs will not be meaningful for most seniors.

The GAO data also highlight another problem that could be a concern with the Administration's proposed plan: the provision that restricts seniors to only one Medicare-endorsed prescription drug discount card. The GAO results show that drug prices vary depending on the prescription drug cards that seniors use. For example, the GAO results show that one card offers the lowest prices for Celebrex and several other drugs, but the highest prices for Lipitor. Presently, seniors can purchase more than one drug card, assuring that they receive the lowest prices for all the drugs they need. But as we understand it, under your plan, seniors would be restricted to only one Medicare-endorsed drug card plan. This means that your plan could actually increase prices for certain drugs for some seniors.

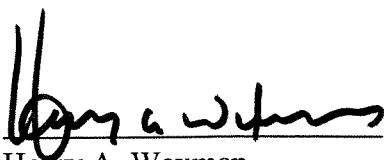
These findings indicate that unless you specifically require a significant discount from pharmaceutical manufacturers that is passed on to seniors, a Medicare prescription drug discount card plan will not provide the help that seniors need. Although the drug discount cards analyzed by GAO are offered by four of the nation's largest PBMs, they are still unable to provide significant discounts. There is no evidence that cards operating under the rubric of a Medicare endorsement will be able to achieve larger discounts. We fear that seniors will be extremely disappointed in the actual discounts that the Medicare-endorsed cards provide compared to the discounts that are being advertised in the Administration's proposal. Medicare endorsement of prescription drug cards that offer paltry discounts will erode the public's trust in Medicare without significantly helping seniors.

There are alternative approaches that would provide significant assistance for seniors. The best approach is a real Medicare drug benefit, which would guarantee that all Medicare beneficiaries would be able to afford the drugs they need. Another option would be to require that drug companies offer prescription drugs to seniors at the same low prices they offer to the federal government, favored purchasers in the United States, or purchasers in other countries. These approaches would reduce brand-name prescription drug prices for seniors by up to 40%.

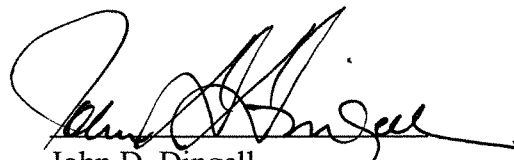
⁹The 25 drugs for which seniors have the highest total expenditures are all brand-name drugs. Pennsylvania Pharmaceutical Assistance Contract for the Elderly, *Annual Report to the Pennsylvania General Assembly, January 1 - December 31, 2000, 2001*.

We ask you to give careful consideration to this GAO study. We are willing to work with you to craft an effective program for reducing the enormous burden that high drug costs are placing on seniors across America. Any Medicare prescription drug program, however, must provide seniors with meaningful assistance with the high cost of prescription drugs.

Sincerely,



Henry A. Waxman
Ranking Minority Member
Committee on Government Reform



John D. Dingell
Ranking Minority Member
Committee on Energy and Commerce



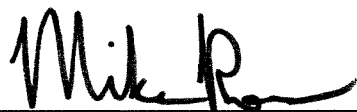
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