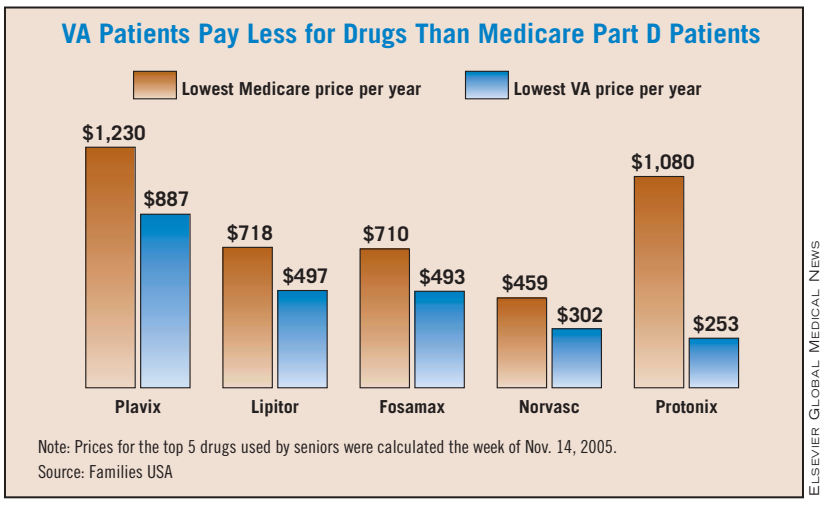

Study: Medicare's New Drug Plan Won't Save Seniors Money

BY JENNIFER LUBELL
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Medicare's new prescription drug benefit offers meager savings on drug prices, according to a Families USA survey.

For 19 out of the top 20 drugs prescribed to seniors in 2004 in several regions of the country, Families USA found that Medicare's prices were much higher than those negotiated by the Department of Veterans Affairs (VA). "For half of the top 20 drugs prescribed to seniors, the lowest price offered by any Medicare prescription drug plan was at least 48.2% higher than the lowest price available through the VA," the survey indicated.

"The huge prices paid by seniors and taxpayers could have been avoided if Congress and the president had not caved in to the pressure of the drug lobby," said Ron Pollack, executive director of Families USA. "They prohibited Medicare from bargaining for cheaper prices and, to ensure that this would never change, they delegated the administration of the benefit to private plans, which have far less bargaining clout."

According to Peter Ashkenaz, deputy director of the Office of Public Affairs for the Centers for Medicare and Medicaid Services, Families USA just rehashed the old argument that there should be government price controls and a one-size-fits-all benefit.

The VA has a restricted formulary and limits where patients can get their drugs, he said. "You have to get your drugs from a VA doctor, at a VA facility. For example, in Georgia there are 9 VA pharmacies, compared [with] 1,833 local pharmacies in that state," Mr. Ashkenaz said in an interview.

The survey also compared the annual difference between the lowest VA prices and lowest Medicare drug plan prices among the top seven drugs prescribed for seniors. Huge differences were noted in a few of these drugs (see chart).

The total percentage difference between VA and Medicare plan prices may be even higher than 48%, however, since no single Medicare plan offers the lowest price for all 20 drugs compared with its plan competitors, the survey noted.

VA prices are lower for both generic and brand-name drugs, Families USA noted. Eighteen of the 20 most-prescribed medicines for seniors are brand-name drugs. For the two generic drugs, the median difference between the lowest Medicare drug plan and the lowest VA price was 95%.

Jeff Trewhitt, a spokesman for the Pharmaceutical Research and Manufacturers of America, agreed with CMS that it was unfair to compare Medicare's new drug plan to a government-mandated price control system such as the VA.

"The VA is not a competitive marketplace. It has a mandatory 24% rebate, one of those special occasions where we have price controls in this country," he said in an interview. Even so, VA hospitals often try to negotiate something even higher than that percentage, he noted.

One thing to keep in mind is that VA hospitals and clinics make up only 1%-2% of the marketplace, Mr. Trewhitt said. "If we extended that type of mandatory rebate across the market, it would hurt the ability of the worlds' leading pharmaceutical and biotechnology companies to create new medicines."

A report from the nonpartisan Congressional Budget Office said the best way to achieve cost savings was to provide drug coverage using a wide range of competitive private health plans. ■