Generics Key to Avoiding Part D Doughnut Hole

BY TIMOTHY F. KIRN
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SEATTLE — With generic prescribing, a little can go a long way. In fact, by using generics 10% of the time, the Medicare Part D program could reduce drug spending by as much as $2.3 billion, according to an analysis presented at the annual research meeting of Academy Health.

That could be important because the analysis also showed that about 22% of Medicare beneficiaries who used to receive a $600 a year subsidy for prescription drugs under the previous Medicare program will no longer qualify for such a subsidy.

Also, the analysis showed that 16%-23% will probably end up in what is called the "doughnut hole" of Medicare Part D, where they will have no drug coverage, said M. Christopher Roebuck, an economist with CareMark, Hunt Valley, Md., a leading pharmacy-benefits management company.

If the generic prescription rate were increased by 10%, it would save the beneficiaries a mean of $41-$55 in out-of-pocket costs annually.

To conduct the presented analysis, Mr. Roebuck and his fellow colleagues used data from 37,425 individuals enrolled in Medicare drug discount card programs for at 6 months or longer, and who had filled at least one prescription.

The researchers then assumed those same usage patterns, with some increase in usage when out-of-pocket costs go down, and applied a 3.5% annual rate for inflation.

"We think one of the strong points of our research is that it is based on actual claims data," he said.

The enrollees filled a mean of 19 prescriptions per year, 10 of which were for generic medications and 9 for brand name. The mean total cost for their prescriptions was $849, of which they paid a mean $538 out of pocket.

Depending on the assumption used to estimate how the new coverage might increase use, the analysis suggests that out-of-pocket costs could increase for these beneficiaries by $38 to $187 annually.

Those who are in the low income category and who currently qualify for the $600 subsidy could face an increase in out-of-pocket costs in the range of $58 to $86 annually, provided they still qualified for the subsidy.

Those increased costs could mean that some would choose to forgo some prescriptions, decisions that could have health consequences.

On the other hand, if the generic prescription rate were increased by 10%, it would save the beneficiaries a mean amount in the range of $41-$55 in out-of-pocket costs and would decrease the amount spent by Medicare on each beneficiary by $62-$71.

Extrapolating that to 33 million beneficiaries, Medicare could reduce its spending by $2 billion to $2.3 billion annually, Mr. Roebuck said.

The 10% increase in the use of generics would also reduce the number of these beneficiaries who would get into the doughnut hole by 1%-2%.

The so-called Medicare Part D doughnut hole—where Medicare Part D stops coverage—kicks in when a patient has spent $2,250 on drugs and lasts until they have spent $5,100, at which point coverage begins again. ■

INDEX OF ADVERTISERS

Boehringer Ingelheim Pharmaceuticals, Inc.
Mirapex 25-27

Eli Lilly and Company
Cymbalta 3-4

Novartis Pharmaceuticals Corporation
Focalin 12a-12b, 13

Pfizer Inc.
Aricept 11-12, 23-24

Serono, Inc.
Rebif 31-32

Shire US Inc.
Adderall XR 19-20

Teva Neuroscience, Inc.
AZILECT 8a-8d, 9, 16a-16d, 17

UCB, Inc.
Keppra 7-8