

Study: Medicare Part D Won't Save Seniors Money

Families USA says 'the pressure of the drug lobby' led to drug prices much higher than in the VA system.

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 of the top 20 drugs prescribed to seniors in 2004 in several parts of the country, Families USA found that Medicare's prices were much higher than those negotiated by the Department of Veterans Affairs (VA). "The median price difference for the top 20 drugs was 48.2%," the survey indicated. "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 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."

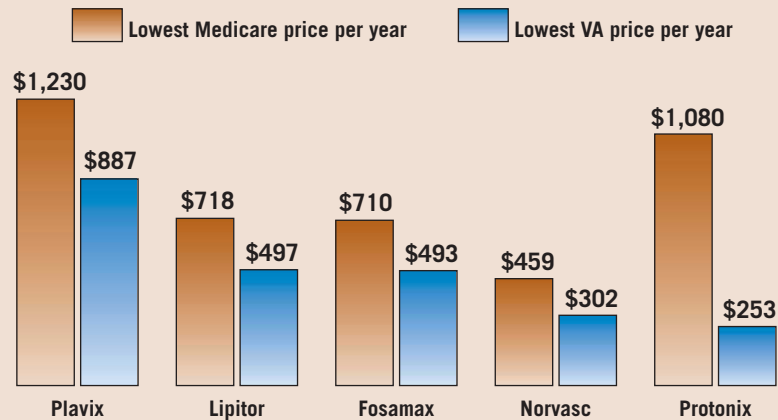
Peter Ashkenaz, deputy director of the Office of Public Affairs for the Centers for

Medicare and Medicaid Services, said that Families USA reshaped 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. Also, the Government Accountability Office looked at using the VA model for the Medicare Part D drug benefit, "and found that doing so would raise prices in the commercial market and thus in Medicare."

The survey also compared the difference between the lowest VA prices and lowest Medicare drug plan prices of the top seven drugs prescribed for seniors, and found huge differences for a few drugs. (See chart.) The total percentage difference between VA and Medicare plan prices may be even higher than 48%, 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; 18 of the 20 most-prescribed medicines for seniors are brand-name drugs. For the two generic drugs, the median dif-

VA Patients Pay Less for Drugs Than Medicare Part D Patients



Note: Prices for the top 5 drugs used by seniors were calculated the week of Nov. 14, 2005.
Source: Families USA

ference 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—a private marketplace system—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. Still, 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 world's leading pharmaceutical and biotechnology companies to create new medicines." He expressed support for a report from the nonpartisan Congressional Budget Office that said the best way to achieve cost savings was to provide drug coverage using a wide range of competitive private health plans. ■

Medicare Recovery Audit Contracts Raise Hackles

BY JOYCE FRIEDEN
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WASHINGTON — Members of the Practicing Physician Advisory Council are asking if Medicare should do more to identify and correct underpayments.

At a recent council meeting, PPAC members wanted to know why a new demonstration program from the Centers for Medicare and Medicaid Services rewards contractors financially for finding money owed to the Medicare program, but not for finding money that Medicare has underpaid to physicians.

Under the Recovery Audit Contractors program, three contractors hired by CMS look for overpayments and underpayments made by Medicare to physicians and hospitals, and try to recover the overpayments. The program, which began last spring, operates in the three states with the largest Medicare beneficiary populations: California, Florida, and New York.

The contractors are paid a percentage of what they collect in overpayments, but there is no similar incentive for finding underpayments. That's because it would require Medicare to pay money over and above the amount of the underpayment, "and that's money going out of the [Medicare] trust fund, not going back in," Gerald Walters, director of the financial services group at CMS, told PPAC members.

Council member Dr. Peter D. Grimm, a radiation oncologist in Seattle, said he would gladly give some of the underpayment money he was due back to the contractor. "If you found \$100 of mine, I'd give you \$5, I'll tell you that much," he said. "I think physicians would not be opposed to [paying]."

Mr. Walters said that idea had been suggested to him before, but under the terms of the demonstration program, "if even one person says, 'I'm not going to pay, give me my money,' I can't do it."

Council member Dr. Barbara L. McAneny, a clinical oncologist in Albuquerque, noted that there is a "cottage industry" of companies that volunteer to review physicians' claims, find examples of undercoding, and help the physicians resubmit the claims for more money.

Council chair Dr. Ronald D. Castellanos, a urologist in Cape Coral, Fla., said he had spoken with one of the contractors who "definitely had sent out demand letters [to providers], but had not found any underpayments." Mr. Walters said that CMS "believes it has found a way to incentivize" the contractors to target underpayments, but he did not elaborate further.

Once an underpayment has been identified, the contractor must notify the appropriate Medicare carrier, which will adjust the claim and pay the provider. ■

Generic Cholesterol Drugs Could Save Medicare \$8 Billion, Analysis Suggests

The Medicare program and its beneficiaries could save \$8.2 billion under the new Medicare drug benefit if beneficiaries were prescribed generic statins for cholesterol reduction instead of name brands, according to a study from Consumers Union and Consumer Reports.

The cost of statins to Medicare and its beneficiaries is expected to be \$14 billion in 2007, but could be cut to \$5.8 billion if seniors received the generic drugs instead, according to the report.

"For the Medicare drug benefit to continue without breaking the federal budget, it will be critical that medicines are prescribed based on their effectiveness and track record, not on advertising campaigns," said Gail Shearer, director of the Best Buy Drugs project for Consumer Reports.

The report also notes that monthly statin prescriptions rose 2.6% overall between the period from November 2004 to April 2005 and the period from May 2005 to October 2005.

Some brand-name statins such as Lescol and Pravachol saw their prescriptions decline, while generic lovastatin prescriptions increased 15.2%, "a positive sign that doctors and payers are becoming more cost conscious."

In its analysis, the report assumes that not everyone will be able to switch to the generic statins. For instance, it assumes

a 100% switch from Zocor to generic simvastatin when Zocor goes off patent this June, and a 50% switch from other statins to generic simvastatin. It also assumes that all Medicare beneficiaries on Lipitor who need only modest cholesterol reduction will be able to switch to generic lovastatin.

Prices for most statin drugs rose modestly during the study period, but some statin price increases exceeded the general inflation rate of 3.5%. For instance, Lipitor rose about 6%, while Pravachol rose about 7% (both increases reflect an averaging of all dose strengths), the study noted.

In addition to switching to generics, cutting copayments for cholesterol drugs might also save money for the health care system, according to a study from Rand Corporation. The study, which was published in the January issue of the American Journal of Managed Care, looked at the 6.3 million adults with Medicare or private coverage and simulated the impact of a plan with varied copayments. Researchers found that with smaller copayments, patients were more likely to take their medications and, as a result, suffered fewer complications from high cholesterol. Cutting the copayments could save the health care system more than \$1 billion a year in medical costs, the study found.

—Joyce Frieden