Card Games: Shuffling Ideas to Create a Medicare Discount Drug Card

by Stephen Barlas

After passing different versions of the Medicare prescription drug bill months ago, the House and Senate seem to have become bogged down in their conference committee, with too many differences between the two bills and too many gaps to bridge. Although it appeared this past spring that Congress would pass a Medicare outpatient drug bill, it doesn’t seem as likely now. A Washington Post editorial in mid-September suggested that maybe Congress should, as one of HBO’s Sopranos might say, just fuhgedaboutit; this is because Republicans and Democrats seemed destined to produce—if they produce anything at all—an unwieldy, expensive Frankenstein’s monster.

The conferees have agreed on one thing, however: the creation of a Medicare discount drug card. Given the disagreements on other substantive issues, when all is said and done, this might be the only Medicare initiative that Congress approves during its term.

The agreed-upon drug card would offer discounts of 15% and more for Medicare recipients. In addition, card manufacturers could not qualify, because its provision would preclude a company from dropping a drug from its formulary. Nothing in the discount—or even a fixed percentage of it—that they negotiate with drug manufacturers. Nothing in the provision would preclude a company from dropping a drug from its formulary.

The discount drug card that the Medicare conferees are anticipating is not as PBM-oriented. Paul Kelly, vice president of federal legislative affairs for NACDS, emphasizes that the pharmacy access language is based on that of the military’s Tricare insurance program.

“It’s not perfect, but it is better than nothing,” he explains.

It is certainly better than what DHHS wanted: PBMs would have had to include only one pharmacy for every 10-mile radius within an area. Nonetheless, the congressional provision seems to tilt pretty heavily toward PBMs. For example, TogetherRx, a card offered by a consortium of manufacturers, could not qualify, because its card is offered only to low-income Medicare recipients. In addition, card companies would not have to pass along the entire discount—or even a fixed percentage of it—that they negotiate with drug manufacturers. Nothing in the provision would preclude a company from dropping a drug from its formulary.

The House and Senate conferees working on the Medicare bill were putting their finishing touches on their Medicare drug card provision just as the General Accounting Office (GAO) was publishing a generally positive report on PBM cards. The report examined the multiple card programs run by Medco Health Solutions (formerly Merck-Medco Managed Care), AdvancePCS, Express Scripts, and WellPoint Health for their customers and compared them with cards offered by Eli Lilly, GlaxoSmithKline, Novartis, and Pfizer as well as TogetherRx on its Web site.

To no one’s surprise, the manufacturers’ cards offer lower prices for their own drugs than those offered by PBMs. Of course, however, a Medicare recipient would have to obtain cards from numerous manufacturers; the manufacturers’ cards don’t help when patients buy generic drugs, and the cards are available only to low-income elderly adults.

The PBM cards are broadly available and yield considerable savings. The GAO examined prices for nine drugs in three cities: atenolol (e.g., Tenormin®, AstraZeneca), celecoxib (Celebrex®, Pharmacia), alendronate (Fosamax®, Merck), furosemide (Lasix®, Aventis), atorvastatin (Lipitor®, Pfizer), amiodipine besylate (Norvasc®, Pfizer), conjugated estrogens (Premarin®, Wyeth-Ayerst), omeprazole (Prilosec®, AstraZeneca), and simvastatin (Zocor®, Merck). A PBM-administered card for pharmacies within the Washington, DC, area resulted in median savings ranging from $2.09 to $20.95 for each of the nine drugs. Savings elsewhere were similar.

If nothing else, then, it behooves Congress to get a national drug discount card system in place. Such a step would increase competition among PBMs based on prices to consumers. Everyone would benefit, not just our parents and grandparents.