Luck of the Draw: Few Medicare Recipients to Get Maximum Help with Drug Costs

Stephen Barlas

C ome September 1, 2004, Medicare will be underwriting the cost of Gleevec® (imatinib mesylate, Novartis) for some patients with lymphoma. Instead of paying almost $45,000 a year for the expensive drug, these lucky seniors will have to pay out-of-pocket costs of only $5,298. Joining those few “select” lymphoma patients will be limited numbers of older patients with other cancers, rheumatoid arthritis, multiple sclerosis, pulmonary hypertension, cytomegalovirus retinitis, hepatitis C, and a few other chronic conditions. These patients, too, will receive outpatient drugs at steep discounts.

Christmas in September? No, these Medicare recipients will be among the 50,000 privileged patients who are winners in the Section 641 drug lottery that Congress authorized as part of the Medicare Modernization Act, passed in December 2003. That bill also established the Part D Medicare drug benefit, which goes into effect in January 2006. But Congress wanted to give some interim help to Medicare recipients with exceptionally high drug bills, particularly to cancer patients. It therefore set up the Section 641 Demonstration Program, which opens on September 1 for approximately 5,000 people and on October 18 for 45,000 people. These recipients will receive vastly subsidized drugs until December 31, 2005.

The program pays for drugs obtained in drugstores or in the mail that are replacements for drugs that Medicare had previously paid for only when they were infused or injected in a physician’s office. Some cancer drugs that are replacements for oral oncology treatments will also be covered.

With its new discount drug cards getting decidedly mixed reviews, Medicare is hoping that the Section 641 program will earn the agency some sorely needed accolades. However, the unpredictable nature of the selection process, along with the priority status awarded to cancer patients, has the potential to spark criticism of the program.

Trailblazer Health Enterprises, a subsidiary of BlueCross/BlueShield of South Carolina, will be administering the program and will be a partner with Caremark Rx, a pharmacy benefit manager (PBM). Prescriptions can be filled only at pharmacies in Caremark’s network and through its direct mail service.

The lottery has two stages. To be eligible, Medicare beneficiaries must get a physician’s certification that they are eligible for one of the replacement drugs designated by Medicare.1 A couple of other conditions apply, too. Beneficiaries who obtain an application by August 16, 2004, will be entered in an “early selection” lottery. If they are chosen at that point, their coverage will begin on September 1, 2004.

There will be two pools: one consisting of oncology patients, the other including everyone else with eligible conditions. Trailblazer will pick one application from one group, then one from the other, alternating, until 10% of the total number who will ultimately be picked in each group are chosen. Congress capped the program at 50,000 and $500 million.

All applicants in the early selection pool who are not picked will be placed in a second lottery. This lottery will include Medicare beneficiaries who apply between August 17 and September 30, the last day applications will be accepted. Coverage for applicants picked in the second stage begins October 18, 2004.

Congress said—apparently it issued this dictate in floor debate because the provision is not in the law—that 40% of the participants must be cancer patients. That would be 20,000 people; however, in the one-for-one selection process designated by the Centers for Medicare and Medicaid Services (CMS), that would mean, theoretically, that 25,000 cancer patients could be chosen. However, it is conceivable that the first 10,000 or 15,000 cancer patients selected could use up considerably more than 40% of the $500 million. Six of the 11 approved cancer replacement drugs cost more than $20,000 a year at retail. Targretin® (bexarotene, Scheerer/Ligand), a lymphoma replacement drug, is priced at $60,000 a year, $15,000 more expensive than Gleevec®, which is approved for more than one form of cancer in the Section 641 program. By comparison, only two of the approved non-cancer drugs cost more than $20,000 a year.

Co-payments by Medicare recipients will be based on the Part D formula. For drugs costing more than $5,100 a year—most non–low-income recipients will have paid about $3,600 of that—Medicare kicks back in and covers about 95% of all subsequent prescriptions for the rest of the year, hence the amazing savings for the lucky few admitted into the Section 641 program.

Approximately 1.4 million non-cancer and perhaps one-quarter million cancer Medicare recipients are eligible for the lottery; a maximum of 25,000 in each category will be selected. Those unfortunate enough to be left out should not blame Medicare, though. Congress established the caps and the ground rules. And while Congress “lives by the politics,” in this instance, it may die by them too.

REFERENCE