

## **Falling Short: Medicare Prescription Drug Plans Offer Meager Savings**

When the new Medicare prescription drug benefit was under consideration, the Administration and congressional leaders promised that a program operated through a multitude of private firms would provide choice and low drug prices to those in Medicare. Supporters claim that “competition brings about more choices and lower prices, while a lack of competition does just the opposite.”<sup>1</sup>

Now, as the drug benefit gets underway, there is no doubt that the program is bringing choices to people in Medicare—a confusing array of dozens upon dozens of drug plan options for each senior to evaluate. But did it bring lower drug prices? Does the program—as the Administration promised—use the “power of health plans to negotiate low prices for prescription drugs and save money for both Medicare beneficiaries and the taxpayer”?<sup>2</sup>

An analysis of plans’ drug prices shows that, on the promise of low drug prices, the program fails. Families USA looked at Medicare prescription drug plan prices for the top 20 drugs prescribed to seniors in 2004 for two regions: 1) Region 5, which covers the District of Columbia, Maryland, and Delaware; and 2) Region 14, which covers Ohio.<sup>3</sup> We compared those prices to the prices negotiated by the federal government through the Department of Veterans Affairs (VA). We found that the lowest price negotiated by the VA was, in every case but one, lower—often substantially so—than the lowest drug price available through any Medicare prescription drug plan operating in either locale. The median percent price difference for the top 20 drugs was 48.2 percent. This means that, 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 percent higher than the lowest price available through the VA.

## Methodology

To evaluate how well Medicare prescription drug plans did in giving seniors low drug prices, Families USA compared the base drug prices that these plans reported with the prices negotiated through the Department of Veterans Affairs for the 20 drugs most frequently used by seniors. For each drug, the “base price” was the price enrollees would pay during the gap in coverage. This comparison provides insight into how company-by-company price negotiations compare with prices obtainable through the negotiations of a large government payer.

For the 20 drugs most frequently prescribed to seniors, Families USA collected the lowest base drug price offered by any Medicare prescription drug plan in one of two Medicare Part D regions. Families USA did not include in this analysis Medicare Advantage Plans providing a drug benefit because those plans do not report the base prices for the drugs they charge. The drug prices examined were the prices for mail order and retail purchases, although mail order prices were always the lowest. Only drugs that were on a Medicare prescription drug plan’s formulary—drugs for which the plan would have actively negotiated prices—were included in this analysis. All data were collected during the week of November 14, 2005 from the Centers for Medicare and Medicaid Services’ (CMS) “Medicare Prescription Drug Plan Finder” at [www.medicare.gov](http://www.medicare.gov). We compared these prices to the lowest publicly reported prices available through the VA system.

VA prices were drawn from the multiple price schedules that the VA negotiates, including the Federal Supply Schedule, the Restricted Federal Supply Schedule, the Big-4 Prices, and the National Contracts for the Veterans Administration. The VA pricing schedules are discussed in greater detail in the Appendix.

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### *What Difference Do Plans’ Drug Prices Make?*

The Medicare Modernization Act (MMA), which authorized Medicare’s new drug benefit, forbids the federal government from negotiating directly with drug manufacturers to obtain lower drug prices for seniors and for the Medicare program. Instead, each Medicare prescription drug plan participating in the program negotiates separately with drug manufacturers to obtain price concessions. The law requires that these drug plans pass along a share of their price discount—the exact percent is not specified—to consumers in the form of lower prices for the drugs that the plan covers. The base prices that plans charge for the drugs they cover are used to calculate when an individual has met the annual deductible and the initial coverage limit. They are also the prices that individuals pay after reaching their initial coverage limit—when they are in the coverage gap or “doughnut hole.” Plans with lower drug prices can offer better value to people in Medicare. <sup>4</sup>

How do plans' drug prices make a difference to enrollees? Consider the following example, which uses two plans with the exact same benefit structure: Both have a \$250 deductible; both require enrollees to pay 25 percent of drug costs (based on the plan's base prices for the drugs) until costs reach the initial coverage limit of \$2,250; and both require enrollees to pay the full cost of drugs (based on the plan's base price) after reaching the initial coverage limit, until drug costs reach \$5,100 and catastrophic coverage begins.

Base Drug Price (1 month supply)	Plan A	Plan B
Drug 1	\$100.00	\$50.00
Drug 2	\$100.00	\$50.00
Drug 3	\$50.00	\$50.00
<b>Monthly total drug costs</b> (used to calculate when someone meets the deductible, initial coverage limit, and catastrophic coverage)	\$250.00	\$150.00
<b>Monthly cost-sharing</b> by beneficiary before initial coverage limit	\$62.50	\$37.50
<b>Total amount paid on prescription drugs</b> (not including premiums) in 2006	\$1,500.00	\$637.50
<b>Plan premium paid by beneficiary</b>	\$30/month (\$360/year)	\$15/month (\$180/year)
<b>Total cost to beneficiary enrolled in the plan</b>	<b>\$1,860.00</b>	<b>\$817.50</b>

In our example, the individual takes three different prescription drugs every day. People enrolled in Plan A would meet the \$250 deductible in the first month, after which they would have to pay 25 percent of the plan's base price for their drugs—\$62.50 a month—and the plan would pay the remaining 75 percent, or \$187.50. At the end of nine months, Plan A enrollees' total drug costs would reach the initial coverage limit of \$2,250. Coverage would stop and, from October through December, the enrollee would pay the full base price of \$250 a month for the three drugs. At the end of the year, the beneficiary's total drug spending would be \$1,500 (that's the \$250 deductible in the first month, eight months at \$62.50 each, and three more months at \$250 each).

People enrolled in Plan B would meet their deductible later—not until the second month. Once the deductible is met and coverage begins, they would pay less for their prescription drugs each month because Plan B offers lower drug prices. Their 25 percent copayment would amount to only \$37.50 a month, rather than the \$62.50 they would have to pay in Plan A. Also, because the plan's base prices are lower, their total drug costs would never reach \$2,250. As a result, they would never hit the initial coverage limit and would have help with drug costs throughout the year. They would only pay \$637.50 on prescription drugs during the year.

The prices offered by drug plans matter to everyone who is paying for prescription drugs through Medicare—both the seniors enrolled in the plans and the taxpayers who are bearing a share of the costs.

## FINDINGS

For the 20 drugs most frequently prescribed to seniors, VA prices were consistently lower than the lowest base price of any Medicare prescription drug plan. The median percent difference in price for a year of treatment was 48.2 percent (Table 1).

### ■ VA Prices Significantly Lower

The lowest VA price was lower than the lowest Medicare prescription drug plan price for 19 of the 20 drugs (Table 1).

- For half of the drugs, the lowest Medicare prescription drug plan price was at least one and one-half times the lowest VA price.
- For a quarter of the drugs, the lowest Medicare prescription drug plan price was at least twice the lowest VA price.
- For 15 percent of the drugs, the lowest Medicare prescription drug plan price was at least four times the lowest VA price.

### ■ Significant Price Differences

VA prices were not only consistently lower, but the price differences were often significant. The median price difference was \$260.70 for a year of treatment (Table 1).

- For six drugs, the lowest Medicare prescription drug plan price would equal more than \$1,000 for a year of treatment. For these high-cost drugs, the median difference between the lowest Medicare prescription drug plan price and the lowest VA price was \$606.30 (Table 2).
- For half of these drugs, the VA price was more than \$500 less for a year's therapy than the lowest Medicare prescription drug plan price (Table 2).

### ■ VA Prices Lower for Brand-Name and Generic Drugs

VA prices were lower for both generic and brand-name drugs.

- Eighteen of the 20 drugs were brand-name drugs. For 17 of those, the VA price was lower than the lowest Medicare prescription drug plan price. For those drugs, the median difference between the lowest Medicare prescription drug plan price and the lowest VA price was 44.1 percent (Table 3).
- Two of the top 20 drugs were generic. For those two drugs, the median difference between the lowest Medicare prescription drug plan and the lowest VA price for a year of therapy was 94.5 percent (Table 3).

### ■ Significant Price Ranges

No Medicare prescription drug plan in either region had the lowest price for all 20 drugs. The price variations across the plans were significant.

- The brand-name drug with the smallest percent difference in price across Medicare drug plans was Protonix 40 mg. There was a 22.3 percent difference in price between the plan with the lowest price and the plan with the highest price, which equals \$240.84 for a year's therapy (Table 4).

- The brand-name drug with the greatest percent difference between the lowest and the highest Medicare prescription drug plan price was Nexium 40 mg. The price range was \$798.24 for a year of therapy or 95.5 percent (Table 4).
- For the eight plans most recommended by the Medicare Prescription Drug Plan Finder for an individual taking the five most frequently prescribed drugs, the base price of each drug varied. For a single drug, price differences between the plan with the lowest and highest base price ranged from \$90.24 for Norvasc 5 mg to \$217.56 for Plavix 75 mg (Table 5).

Table 1

### Lowest Department of Veterans Affairs (VA) Prices and Lowest Medicare Prescription Drug Plan (PDP) Prices for the Top 20 Drugs Used by Seniors in 2004

2004 Rank by # of Claims	Drug Name	Strength	Dose Form	Lowest VA Price Per Year	Lowest PDP Price Per Year	Price Difference Per Year	Percent Difference	Medicare Drug Plan Price as a Multiple of VA Price
1	Plavix	75 mg	tab	\$ 887.16	\$ 1,229.64	\$ 342.48	38.6%	1.4
2	Lipitor	10 mg	tab	\$ 497.16	\$ 717.84	\$ 220.68	44.4%	1.4
3	Fosamax	70 mg	tab	\$ 493.32	\$ 709.68	\$ 216.36	43.9%	1.4
4	Norvasc	5 mg	tab	\$ 301.68	\$ 458.88	\$ 157.20	52.1%	1.5
5	Protonix	40 mg	tab	\$ 253.32	\$ 1,080.00	\$ 826.68	326.3%	4.3
6	Celebrex	200 mg	cap	\$ 619.80	\$ 865.08	\$ 245.28	39.6%	1.4
7	Zocor	20 mg	tab	\$ 167.80	\$ 1,323.72	\$ 1,155.92	688.9%	7.9
8	Nexium	40 mg	cap	\$ 968.40	\$ 836.28	\$ -132.12	-13.6%	0.9
9	Lipitor	20 mg	tab	\$ 747.36	\$ 1,040.40	\$ 293.04	39.2%	1.4
10	Prevacid	30 mg	cap DR	\$ 799.20	\$ 921.00	\$ 121.80	15.2%	1.2
11	Norvasc	10 mg	tab	\$ 330.00	\$ 629.76	\$ 299.76	90.8%	1.9
12	Toprol XL	50 mg	tab	\$ 156.24	\$ 204.96	\$ 48.72	31.2%	1.3
13	furosemide	40 mg	tab	\$ 6.24	\$ 12.72	\$ 6.48	103.8%	2.0
14	Actonel	35 mg	tab	\$ 355.44	\$ 682.68	\$ 327.24	92.1%	1.9
15	Xalatan	0.005 %	sol	\$ 266.64	\$ 542.76	\$ 276.12	103.6%	2.0
16	Zocor	40 mg	tab	\$ 251.60	\$ 1,323.72	\$ 1,072.12	426.1%	5.3
17	metoprolol tartrate	50 mg	tab	\$ 6.48	\$ 12.00	\$ 5.52	85.2%	1.9
18	Aricept	10 mg	tab	\$ 1,044.24	\$ 1,430.16	\$ 385.92	37.0%	1.4
19	Zoloft	50 mg	tab	\$ 444.96	\$ 798.36	\$ 353.40	79.4%	1.8
20	Toprol XL	100 mg	tab	\$ 238.80	\$ 323.40	\$ 84.60	35.4%	1.4
<b>Median Difference</b>						\$ 260.70	48.2%	1.5

**Sources:** VA prices are from the VA pharmacy benefit manager and the VA's list of national contracts. They were collected through www.vapbm.org and through conversations with VA staff. Prices were obtained the week of November 14, 2005. VA prices are the lowest prices reported across several VA negotiated pricing schedules: the Federal Supply Schedule, the Restricted Federal Supply Schedule, the "Big-4" pricing schedule, and VA national contracts.

Medicare PDP prices are from the Medicare Prescription Drug Plan Finder, located online at www.medicare.gov, accessed the week of November 14, 2005. Prices show the lowest prices reported by any PDP in Region 5 (DC/MD/DE), where we used zip code 20906 for the Washington/Baltimore metro area, and for Region 14 (Ohio), where we used zip code 45206 for Cincinnati.

Drug plan prices are mail order prices. The lowest price was the same in both regions for all drugs except furosemide and Toprol XL 50 mg. For those drugs, differences between the regions were less than \$1/month.

Drug ranking is based on 2004 claims volume for the Pennsylvania PACE program.

Table 2

**Price Differences for High-Cost Drugs: Lowest Medicare Prescription Drug Plan (PDP) Price and Lowest Department of Veterans Affairs (VA) Price**

2004 Rank by # of Claims	Drug Name	Strength	Dose Form	Lowest VA Price Per Year	Lowest PDP Price Per Year	Price Difference Per Year	Percent Difference
1	Plavix	75 mg	tab	\$ 887.16	\$ 1,229.64	\$ 342.48	38.6%
5	Protonix	40 mg	tab	\$ 253.32	\$ 1,080.00	\$ 826.68	326.3%
7	Zocor	20 mg	tab	\$ 167.80	\$ 1,323.72	\$ 1,155.92	688.9%
9	Lipitor	20 mg	tab	\$ 747.36	\$ 1,040.40	\$ 293.04	39.2%
16	Zocor	40 mg	tab	\$ 251.60	\$ 1,323.72	\$ 1,072.12	426.1%
18	Aricept	10 mg	tab	\$ 1,044.24	\$ 1,430.16	\$ 385.92	37.0%
<b>Median Difference</b>						\$ 606.30	182.8%

See page 7 for Table Sources and Notes.

Table 3

**Price Difference between Department of Veterans Affairs (VA) and Medicare Prescription Drug Plans (PDPs) for Brand-Name and Generic Drugs**

2004 Rank by # of Claims	Drug Name	Strength	Dose Form	Lowest VA Price Per Year	Lowest PDP Price Per Year	Price Difference Per Year	Percent Difference	Medicare Drug Plan Price as a Multiple of VA Price
<b>Brand-Name Drugs</b>								
1	Plavix	75 mg	tab	\$ 887.16	\$ 1,229.64	\$ 342.48	38.6%	1.4
2	Lipitor	10 mg	tab	\$ 497.16	\$ 717.84	\$ 220.68	44.4%	1.4
3	Fosamax	70 mg	tab	\$ 493.32	\$ 709.68	\$ 216.36	43.9%	1.4
4	Norvasc	5 mg	tab	\$ 301.68	\$ 458.88	\$ 157.20	52.1%	1.5
5	Protonix	40 mg	tab	\$ 253.32	\$ 1,080.00	\$ 826.68	326.3%	4.3
6	Celebrex	200 mg	cap	\$ 619.80	\$ 865.08	\$ 245.28	39.6%	1.4
7	Zocor	20 mg	tab	\$ 167.80	\$ 1,323.72	\$ 1,155.92	688.9%	7.9
8	Nexium	40 mg	cap	\$ 968.40	\$ 836.28	\$ -132.12	-13.6%	0.9
9	Lipitor	20 mg	tab	\$ 747.36	\$ 1,040.40	\$ 293.04	39.2%	1.4
10	Prevacid	30 mg	cap DR	\$ 799.20	\$ 921.00	\$ 121.80	15.2%	1.2
11	Norvasc	10 mg	tab	\$ 330.00	\$ 629.76	\$ 299.76	90.8%	1.9
12	Toprol XL	50 mg	tab	\$ 156.24	\$ 204.96	\$ 48.72	31.2%	1.3
14	Actonel	35 mg	tab	\$ 355.44	\$ 682.68	\$ 327.24	92.1%	1.9
15	Xalatan	0.005 %	sol	\$ 266.64	\$ 542.76	\$ 276.12	103.6%	2.0
16	Zocor	40 mg	tab	\$ 251.60	\$ 1,323.72	\$ 1,072.12	426.1%	5.3
18	Aricept	10 mg	tab	\$ 1,044.24	\$ 1,430.16	\$ 385.92	37.0%	1.4
19	Zolof	50 mg	tab	\$ 444.96	\$ 798.36	\$ 353.40	79.4%	1.8
20	Toprol XL	100 mg	tab	\$ 238.80	\$ 323.40	\$ 84.60	35.4%	1.4
<b>Median Difference - Brand-Name Drugs</b>						<b>\$ 284.58</b>	<b>44.1%</b>	<b>1.4</b>
<b>Generic Drugs</b>								
13	furosemide	40 mg	tab	\$ 6.24	\$ 12.72	\$ 6.48	103.8%	2.0
17	metoprolol tartrate	50 mg	tab	\$ 6.48	\$ 12.00	\$ 5.52	85.2%	1.9
<b>Median Difference - Generic Drugs</b>						<b>\$ 6.00</b>	<b>94.5%</b>	<b>1.9</b>

See page 7 for Table Sources and Notes.

Table 4

### Difference between the Lowest and Highest Medicare Prescription Drug Plan (PDP) Prices for the Top 20 Drugs in Two Medicare Drug Plan Regions

2004 Rank by # of Claims	Drug Name	Strength	Dose Form	Lowest PDP Price Per Year	Highest PDP Price Per Year	Price Difference Per Year	Percent Difference
1	Plavix	75 mg	tab	\$ 1,229.64	\$ 1,857.96	\$ 628.32	51.1%
2	Lipitor	10 mg	tab	\$ 717.84	\$ 892.80	\$ 174.96	24.4%
3	Fosamax	70 mg	tab	\$ 709.68	\$ 882.00	\$ 172.32	24.3%
4	Norvasc	5 mg	tab	\$ 458.88	\$ 588.12	\$ 129.24	28.2%
5	Protonix	40 mg	tab	\$ 1,080.00	\$ 1,320.84	\$ 240.84	22.3%
6	Celebrex	200 mg	cap	\$ 865.08	\$ 1,066.20	\$ 201.12	23.2%
7	Zocor	20 mg	tab	\$ 1,323.72	\$ 1,658.76	\$ 335.04	25.3%
8	Nexium	40 mg	cap	\$ 836.28	\$ 1,634.52	\$ 798.24	95.5%
9	Lipitor	20 mg	tab	\$ 1,040.40	\$ 1,285.92	\$ 245.52	23.6%
10	Prevacid	30 mg	cap DR	\$ 921.00	\$ 1,613.52	\$ 692.52	75.2%
11	Norvasc	10 mg	tab	\$ 629.76	\$ 789.12	\$ 159.36	25.3%
12	Toprol XL	50 mg	tab	\$ 204.96	\$ 340.68	\$ 135.72	66.2%
13	furosemide	40 mg	tab	\$ 12.72	\$ 97.56	\$ 84.84	667.0%
14	Actionel	35 mg	tab	\$ 682.68	\$ 882.00	\$ 199.32	29.2%
15	Xalatan	0.005 %	sol	\$ 542.76	\$ 684.24	\$ 141.48	26.1%
16	Zocor	40 mg	tab	\$ 1,323.72	\$ 1,658.76	\$ 335.04	25.3%
17	metoprolol tartrate	50 mg	tab	\$ 12.00	\$ 92.52	\$ 80.52	671.0%
18	Aricept	10 mg	tab	\$ 1,430.16	\$ 2,019.24	\$ 589.08	41.2%
19	Zolof	50 mg	tab	\$ 798.36	\$ 987.48	\$ 189.12	23.7%
20	Toprol XL	100 mg	tab	\$ 323.40	\$ 487.80	\$ 164.40	50.8%
<b>Median Difference</b>						<b>\$ 194.22</b>	<b>27.1%</b>

#### Notes and Sources for Tables 2-4

VA Prices are from the VA pharmacy benefit manager and the VA's list of national contracts. Prices were accessed the week of November 14, 2005.

Medicare PDP prices are from the Medicare Prescription Drug Plan Finder, located online at [www.medicare.gov](http://www.medicare.gov), accessed the week of November 14, 2005. Prices show the lowest (and for Table 4, the highest) prices reported by any PDP in Region 5 (DC/MD/DE), where we used zip code 20906 for the Washington/Baltimore metro area, and for Region 14 (Ohio), where we used zip code 45206 for Cincinnati.

"High-cost drugs" were defined as those in the top 20 where the lowest Medicare PDP price was more than \$1,000 for a year's treatment.

Drug plan prices include mail order and retail prices. For the highest retail prices, there were many differences between the two regions, although these differences were usually less than \$5/year of treatment. Region 14 (Ohio) prices were more frequently the higher of the two regions studied.

Table 5

**Variation in Medicare Prescription Drug Prices\* for Drug Plans Recommended by the Medicare Prescription Drug Plan Finder, Region 5**

Drug**	Most- Recommended Plans								Difference between Lowest and Highest Price
	Humana PDP Complete	Humana PDP Standard	Humana PDP Enhanced	First Health Premier	Medi-Care First \$250 Deductible	Medi-Care First \$0 Deductible	PacifiCare Saver Plan	WellCare Signature	
Plavix	Not Reported	\$1,236.00	\$1,236.00	\$1,453.56	\$1,333.44	\$1,333.44	\$1,323.00	\$1,280.76	\$217.56
Lipitor	Not Reported	\$718.80	\$718.80	\$892.80	\$773.64	\$773.64	\$805.08	\$742.32	\$174.00
Fosamax	Not Reported	\$709.68	\$709.68	\$840.72	\$763.68	\$763.68	\$787.88	\$732.84	\$131.04
Norvasc	Not Reported	\$461.52	\$461.52	\$551.76	\$495.24	\$495.24	\$490.08	\$474.48	\$90.24
Protonix	Not Reported	\$1,080.00	\$1,080.00	\$1,271.76	\$1,164.48	\$1,164.48	\$1,155.12	\$1,118.40	\$191.76
<b>Total</b>	<b>NA</b>	<b>\$4,206.00</b>	<b>\$4,206.00</b>	<b>\$5,010.60</b>	<b>\$4,530.48</b>	<b>\$4,530.48</b>	<b>\$4,561.16</b>	<b>\$4,348.80</b>	

See page 9 for Table Sources and Notes.

Table 6

**Price Comparison between the Department of Veterans Affairs (VA) and Medicare Drug Plans: Plans Most Recommended by the Medicare Prescription Drug Plan Finder for Someone Taking the Five Most Frequently Prescribed Drugs\***

Drug**	Lowest VA Price	Most- Recommended Plans							
		Humana PDP Complete	Humana PDP Standard	Humana PDP Enhanced	First Health Premier	Medi-Care First \$250 Deductible	Medi-Care First \$0 Deductible	PacifiCare Saver Plan	WellCare Signature
Plavix	\$887.16	Not Reported	\$1,236.00	\$1,236.00	\$1,453.56	\$1,333.44	\$1,333.44	\$1,323.00	\$1,280.76
Lipitor	\$497.16	Not Reported	\$718.80	\$718.80	\$892.80	\$773.64	\$773.64	\$805.08	\$742.32
Fosamax	\$493.32	Not Reported	\$709.68	\$709.68	\$840.72	\$763.68	\$763.68	\$787.88	\$732.84
Norvasc	\$301.68	Not Reported	\$461.52	\$461.52	\$551.76	\$495.24	\$495.24	\$490.08	\$474.48
Protonix	\$253.32	Not Reported	\$1,080.00	\$1,080.00	\$1,271.76	\$1,164.48	\$1,164.48	\$1,155.12	\$1,118.40
<b>Total</b>	<b>\$2,432.64</b>	<b>NA</b>	<b>\$4,206.00</b>	<b>\$4,206.00</b>	<b>\$5,010.60</b>	<b>\$4,530.48</b>	<b>\$4,530.48</b>	<b>\$4,561.16</b>	<b>\$4,348.80</b>

See page 9 for Table Sources and Notes.

## Notes and Sources for Tables 5-6

\* The lowest base price for the plans shown.

\*\* Drugs are ranked by number of claims. Strength and doses are as follows: Plavix, 75 mg, 30 doses per month; Lipitor, 10 mg, 30 doses per month; Fosamax, 70 mg, four doses per month; Norvasc, 5 mg, 30 doses per month; Protonix, 40 mg, 30 doses per month.

**Source:** The Medicare Prescription Drug Plan Finder and VA pricing schedules, accessed the week of November 14, 2005.

**Notes:** This analysis looks at base drug prices from the eight Medicare PDPs most recommended by the Medicare Prescription Drug Plan Finder for someone taking the five drugs listed. These eight plans are offered by five different companies. The Plan Finder makes recommendations based on total cost to the enrollee given the plan's benefit structure. Plans with higher base drug costs may, because of their copayment structure, be less costly to enrollees. These are not necessarily the plans that have the lowest base prices for these drugs.

Humana PDP Complete does not have a gap in coverage; because enrollees have coverage throughout the year, the plan does not report base drug prices.

The PacifiCare Saver Plan does not cover Fosamax. Therefore, enrollees would have to pay the pharmacy price. The price shown is the annual cost from www.drugstore.com using the 90-day mail order price.

All prices are for mail order except for First Health Premier, which does not offer mail order.

All plan prices are for Region 5 (DC/MD/DE), zip code 20906.

## Discussion

An initial look at the base drug prices for the Medicare prescription drug plans shows that individual plans do not achieve price reductions comparable to those negotiated by the Department of Veterans Affairs. As a result, it is very likely that beneficiaries—and the taxpayers who subsidize the Medicare drug benefit—are paying significantly more than they would if Medicare were allowed to use the combined bargaining clout of millions of beneficiaries to negotiate on their behalf.

### How the Differences Play Out for People in Medicare

To see what these price differences mean, consider a hypothetical patient taking the five drugs most frequently prescribed to seniors—Plavix 75 mg; Lipitor 10 mg; Fosamax 70 mg; Norvasc 5 mg; and Protonix 40 mg. This person consulted Medicare's Prescription Drug Plan Finder and selected the plans that cost the least for his or her combination of drugs.<sup>5</sup> The base drug prices from the eight plans most recommended by Medicare's Plan Finder—plans from five different companies—are shown in Table 6. Also shown in that table are the VA prices for these same drugs. In every case, the VA price is lower than the lowest base price from any of the Medicare drug plans.

But do these higher base prices really make a difference to beneficiaries, since the plan will cover a portion of their drug costs during the year? The answer is a clear "yes." To illustrate how beneficiaries would directly save money if plans were able to obtain prices as low as the VA does, we looked at the plans most recommended by the Medicare Prescription Drug Plan Finder and, using the same benefit structure, substituted VA prices for the plans' prices. For the three drug plans most recommended by the Plan Finder, a patient taking the five most frequently prescribed drugs would save between \$1,077.81 and \$2,561.46 in annual out-of-pocket costs if these plans negotiated prices as effectively as the VA<sup>6</sup> (Table 7).

Table 7

### Comparing Medicare Prescription Drug Plans (PDPs) and the Department of Veterans Affairs (VA)

How much difference would it make to a senior if Medicare drug plan drug prices were equal to the lowest VA price? These examples look at the least expensive Medicare drug plans offered by different plan sponsors (according to the Medicare Prescription Drug Plan Finder) for someone taking the five drugs most frequently prescribed to seniors. Using the same plan benefit structure, VA prices were substituted for each plan's reported base price for each drug. We calculated when an enrollee would meet the deductible and reach the coverage limit using both the plan's prices and VA prices.

Humana PDP Standard	Humana PDP Standard**	Same Benefits, VA Lowest Prices	Value Lost to Medicare Beneficiary
<b>Total Annual Costs</b>	\$2,776.07	\$1,020.11	\$1,755.96
<b>Annual Premiums</b>	\$77.28	\$77.28	
<b>Deductible</b>	\$250.00	\$250.00	
<b>Monthly drug costs after meeting the deductible but before total drug costs reach \$2,250 (What the patient pays per month after meeting the deductible but before falling into the coverage gap or "doughnut hole")</b>			
Plavix 75 mg	\$25.75	\$18.48	
Lipitor 10 mg	\$14.98	\$10.36	
Fosamax 70 mg	\$14.79	\$10.28	
Norvasc 5 mg	\$9.62	\$6.29	
Protonix 40 mg	\$22.50	\$5.28	
<b>Total Monthly Costs (Mail Order)</b>	<b>\$87.63</b>	<b>\$50.68</b>	
<b>Monthly drug costs after total drug costs reach \$2,250 but before total out-of-pocket expenses equal \$3,600 (What the patient pays per month while in the coverage gap or "doughnut hole")</b>			
Plavix 75 mg	\$103.00	\$73.93	
Lipitor 10 mg	\$59.90	\$41.43	
Fosamax 70 mg	\$59.14	\$41.11	
Norvasc 5 mg	\$38.46	\$25.14	
Protonix 40 mg	\$90.00	\$21.11	
<b>Total Monthly Costs</b>	<b>\$350.50</b>	<b>\$202.72</b>	

\* **Notes:** Humana PDP Standard's monthly costs are based on 90-day mail order prices. The Medicare Prescription Drug Plan Finder recommended Humana PDP Complete as the least costly plan at \$2,434.56/yr (mail-order purchase). However, that plan offers complete coverage through the coverage gap, which means that no plan prices are reported. Therefore, the second least costly plan, Humana PDP Standard, was substituted for the purposes of this analysis.

The benefit for Humana Standard PDP includes a \$250 deductible and 25 percent cost-sharing (based on the plan's price for the drug) up to \$2,250 in drug costs. After that, there is no coverage until an individual spends \$3,600 on prescription drugs during the year.

First Health Premier	First Health Premier	Same Benefits, VA Lowest Prices	Value Lost to Medicare Beneficiary
<b>Total Annual Costs</b>	\$3,779.22	\$1,217.76	\$2,561.46
<b>Annual Premiums</b>	\$274.92	\$274.92	
<b>Deductible</b>	\$250.00	\$250.00	
<b>Monthly drug costs after meeting the deductible but before total drug costs reach \$2,250</b> (What the patient pays per month after meeting the deductible but before falling into the coverage gap or "doughnut hole")			
Plavix 75 mg	\$30.28	\$18.48	
Lipitor 10 mg	\$18.60	\$10.36	
Fosamax 70 mg	\$17.51	\$10.28	
Norvasc 5 mg	\$11.49	\$6.29	
Protonix 40 mg	\$26.50	\$5.28	
<b>Total Monthly Costs (Mail Order)</b>	<b>\$104.38</b>	<b>\$50.68</b>	
<b>Monthly drug costs after total drug costs reach \$2,250 but before total out-of-pocket expenses equal \$3,600</b> (What the patient pays per month while in the coverage gap or "doughnut hole")			
Plavix 75 mg	\$121.13	\$73.93	
Lipitor 10 mg	\$74.40	\$41.43	
Fosamax 70 mg	\$70.06	\$41.11	
Norvasc 5 mg	\$45.98	\$25.14	
Protonix 40 mg	\$105.98	\$21.11	
<b>Total Monthly Costs</b>	<b>\$417.55</b>	<b>\$202.72</b>	

Notes: First Health Premier does not offer a mail-order option; costs are based on the lowest reported retail price. The Medicare Prescription Drug Plan Finder recommended First Health Premier as the fourth least expensive plan for a Medicare beneficiary after the three options from Humana, Inc.

The benefit for First Health Premier includes a \$250 deductible and 25 percent cost-sharing (based on the plan's price for the drug) up to \$2,250 in drug costs. After that, there is no coverage until an individual spends \$3,600 on prescription drugs during the year.

Humana PDP Enhanced	Humana PDP Enhanced	Same Benefits, VA Lowest Prices	Value Lost to Medicare Beneficiary
<b>Total Annual Costs</b>	\$3,071.49	\$1,993.68	\$1,077.81
<b>Annual Premiums</b>	\$150.96	\$150.96	
<b>Deductible</b>	\$0.00	\$0.00	
<b>Monthly drug costs after meeting the deductible but before total drug costs reach \$2,250</b> (What the patient pays per month after meeting the deductible but before falling into the coverage gap or "doughnut hole")			
Plavix 75 mg	\$25.00	\$25.00	
Lipitor 10 mg	\$25.00	\$25.00	
Fosamax 70 mg	\$25.00	\$25.00	
Norvasc 5 mg	\$25.00	\$25.00	
Protonix 40 mg	\$50.00	\$25.00	
<b>Total Monthly Costs (Mail Order)</b>	<b>\$150.00</b>	<b>\$150.00</b>	
<b>Monthly drug costs after total drug costs reach \$2,250 but before total out-of-pocket expenses equal \$3,600</b> (What the patient pays per month while in the coverage gap or "doughnut hole")			
Plavix 75 mg	\$103.00	\$73.93	
Lipitor 10 mg	\$59.90	\$41.43	
Fosamax 70 mg	\$59.14	\$41.11	
Norvasc 5 mg	\$38.46	\$25.14	
Protonix 40 mg	\$90.00	\$21.11	
<b>Total Monthly Costs</b>	<b>\$350.50</b>	<b>\$202.72</b>	

Notes: Humana PDP Enhanced's monthly costs are based on 90-day mail order prices.

The benefit for Humana PDP Enhanced has no deductible and a fixed dollar copayment based on a drug's formulary placement until drug costs based on the plan's price reach \$2,250. After that, there is no coverage until an individual spends \$3,600 on prescription drugs during the year.

### **Is It Restrictive Formularies that Make the Difference?**

Some argue that VA prices are so low because the VA uses a restrictive formulary. Those prices, they say, could not be replicated by Medicare prescription drug plans. There are two flaws in this argument. First, while it is true that the VA has a restrictive formulary, so did every Medicare prescription drug plan in this study.<sup>7</sup>

Second, nearly half (45 percent) of the VA drug prices used in this analysis were drawn from the Federal Supply Schedule (FSS), a VA pricing schedule that does not involve a formulary. The Department of Veterans Affairs negotiates prices for more than just the Veterans Administration (see the Appendix for a more detailed discussion of the pricing schedules). The VA also negotiates prices for all federal purchasers. That pricing schedule, the FSS, includes nearly all FDA-approved drugs. Therefore, low FSS prices do not result from negotiations centered around a drug's placement on a formulary, but rather from government purchasing power and the government's ability to obtain lower prices. Prices for the FSS drugs cited in this analysis were consistently lower than the lowest Medicare prescription drug plan prices, with a median price difference of 39.2 percent (see Table 10).

Price differences were even more marked for drugs on the VA formulary. Thirteen of the top 20 drugs were on the VA formulary—a larger number than offered by the most restrictive Medicare prescription drug plan.<sup>8</sup> Comparing prices for the drugs on the VA formulary with the lowest prices for the Medicare prescription drug plans—looking only at drugs on prescription drug plans' formularies—VA prices were significantly lower. The median difference was 79.4 percent—a median price difference of \$299.76 (see Table 11).

While it is true that the VA obtains some of its largest percentage price discounts when negotiating with manufacturers for placement on the VA formulary, it is not use of a restrictive formulary alone that allows the VA to garner such large discounts. The VA also obtains large discounts through the FSS simply by using the government's negotiating power. For drugs on the Medicare drug plans' restrictive formularies, the plans nearly always failed to obtain prices even as low as prices on the FFS, the VA's non-restrictive pricing schedule.

And as for drugs not on the VA formulary, veterans still have access to those drugs at the low FSS price, although prior authorization may be required. Similarly, Medicare prescription drug plans may require prior authorization, even for many of the drugs they have on their formularies. As for drugs that are not on a senior's Medicare prescription drug plan's formulary, the senior will have no access to any type of purchasing discount and will have to pay whatever the pharmacist charges.

Table 10

### Medicare Prescription Drug Plan (PDP) Prices Compared to Department of Veterans Affairs (VA) Prices for the Federal Supply Schedule

2004 Rank by # of Claims	Drug Name	Strength	Dose Form	Lowest VA Price Per Year	Lowest PDP Price Per Year	Price Difference Per Year	Percent Difference
2	Lipitor	10 mg	tab	\$ 497.16	\$ 717.84	\$ 220.68	44.4%
3	Fosamax	70 mg	tab	\$ 493.32	\$ 709.68	\$ 216.36	43.9%
4	Norvasc	5 mg	tab	\$ 301.68	\$ 458.88	\$ 157.20	52.1%
8	Nexium	40 mg	cap	\$ 968.40	\$ 836.28	\$ -132.12	-13.6%
9	Lipitor	20 mg	tab	\$ 747.36	\$ 1,040.40	\$ 293.04	39.2%
10	Prevacid	30 mg	cap DR	\$ 799.20	\$ 921.00	\$ 121.80	15.2%
12	Toprol XL	50 mg	tab	\$ 156.24	\$ 204.96	\$ 48.72	31.2%
13	furosemide	40 mg	tab	\$ 6.24	\$ 12.72	\$ 6.48	103.8%
20	Toprol XL	100 mg	tab	\$ 238.80	\$ 323.40	\$ 84.60	35.4%
<b>Median Difference</b>						<b>\$ 121.80</b>	<b>39.2%</b>

Table 11

### Price Differences between the Lowest Medicare Prescription Drug Plan (PDP) Price and the Lowest Department of Veterans Affairs (VA) Price for Drugs on the VA Formulary

2004 Rank by # of Claims	Drug Name	Strength	Dose Form	Lowest VA Price Per Year	Lowest PDP Price Per Year	Price Difference Per Year	Percent Difference
1	Plavix	75 mg	tab	\$ 887.16	\$ 1,229.64	\$ 342.48	38.6%
3	Fosamax	70 mg	tab	\$ 493.32	\$ 709.68	\$ 216.36	43.9%
4	Norvasc	5 mg	tab	\$ 301.68	\$ 458.88	\$ 157.20	52.1%
7	Zocor	20 mg	tab	\$ 167.80	\$ 1,323.72	\$ 1,155.92	688.9%
11	Norvasc	10 mg	tab	\$ 330.00	\$ 629.76	\$ 299.76	90.8%
12	Toprol XL	50 mg	tab	\$ 156.24	\$ 204.96	\$ 48.72	31.2%
13	furosemide	40 mg	tab	\$ 6.24	\$ 12.72	\$ 6.48	103.8%
14	Actonel	35 mg	tab	\$ 355.44	\$ 682.68	\$ 327.24	92.1%
16	Zocor	40 mg	tab	\$ 251.60	\$ 1,323.72	\$ 1,072.12	426.1%
17	metoprolol tartrate	50 mg	tab	\$ 6.48	\$ 12.00	\$ 5.52	85.2%
18	Aricept	10 mg	tab	\$ 1,044.24	\$ 1,430.16	\$ 385.92	37.0%
19	Zolof	50 mg	tab	\$ 444.96	\$ 798.36	\$ 353.40	79.4%
20	Toprol XL	100 mg	tab	\$ 238.80	\$ 323.40	\$ 84.60	35.4%
<b>Median Difference</b>						<b>\$ 299.76</b>	<b>79.4%</b>

#### Notes and Sources for Tables 10-11

**Sources:** VA prices are from the VA pharmacy benefit manager and the VA's list of national contracts. Prices were accessed the week of November 14, 2005.

Medicare PDP prices are from the Medicare Prescription Drug Plan Finder, located online at [www.medicare.gov](http://www.medicare.gov), accessed the week of November 14, 2005. Prices show the lowest prices reported by any PDP in Region 5 (DC/MD/DE), where we used zip code 20906 for the Washington/Baltimore metro area, and for Region 14 (Ohio), where we used zip code 45206 for Cincinnati.

Drug plan prices are mail order prices. The lowest price was the same in both regions for all drugs except furosemide and Toprol XL 50 mg. For those drugs, differences between the regions were less than \$1/month.

Drug ranking is based on 2004 claims volume for the Pennsylvania PACE program.

### **Is This the Best the Drug Plans Can Do?**

It is unclear whether or not the prices that Medicare drug plans offer are reflective of the true discounts these plans negotiate. It may be that the Medicare prescription drug plans are negotiating prices far lower than the prices made available to seniors. While plans are required to pass along some level of price discounts to Medicare enrollees, that level is not specified in the law.<sup>9</sup> Because the drug prices that plans negotiate will not be reported publicly, we will never know whether this is the best plans can do.

Some argue that after 2006, when the number of plans participating in the program declines—as many plans will likely have too few enrollees to make continued program participation profitable—plans will be able to negotiate better prices. It is unfortunate that seniors and the public will have to wait a year or more to see if that prediction comes to pass—a possibility that seems less promising given the failure of other MMA apologists' predictions regarding private plan negotiations and low prices.

### **Conclusion**

An initial look at drug prices available through Medicare prescription drug plans shows that these plans failed to deliver on promises that competition would bring prices down. The “power of health plans to negotiate,” lauded by Medicare officials, has not resulted in drugs prices for beneficiaries or taxpayers that are comparable to the low prices negotiated by the Department of Veterans Affairs. The law establishing the drug benefit, in missing the opportunity to allow Medicare to use the negotiating clout of 41 million seniors and others in Medicare to obtain low drug prices, has given seniors and taxpayers a benefit that costs more than it needed to. When negotiations are divided among 40-plus plans, none of the plans seems to do as well as a single negotiator might. The power of the health plans is less than promised.

## Endnotes

<sup>1</sup> Grace-Marie Turner, “Sizing Up Criticism of the New Medicare Drug Benefit,” Special to The Orlando Sentinel, *The Orlando Sentinel*, October 13, 2005, p. A 21, available online at <http://www.galen.org/pdrugs.asp?docID=838>.

<sup>2</sup> Centers for Medicare and Medicaid Services, *Issue Paper #10: Medicare Drug Benefit Uses Price Negotiation to Get Best Possible Drug Prices*, January 19, 2005, available online at [http://www.cms.hhs.gov/medicarereform/issuepapers/title1and2/files/issue\\_paper\\_10\\_-\\_price\\_negotiation\\_to\\_lower\\_drug\\_prices.pdf](http://www.cms.hhs.gov/medicarereform/issuepapers/title1and2/files/issue_paper_10_-_price_negotiation_to_lower_drug_prices.pdf)

<sup>3</sup> Plans were evaluated in two Medicare Part D Regions. The first, Region 5, covers Washington, DC, Maryland, and Delaware. The second, Region 14, covers Ohio. For each region, plan searches had to be conducted by zip code. For Region 5, we used zip code 20906, a zip code in the Baltimore/Washington metropolitan area. For Region 14, we used zip code 45206, a zip code in Cincinnati.

<sup>4</sup> Each Medicare drug plan sets its own premium. When a Medicare beneficiary enrolls in a plan, the beneficiary pays 25.5 percent of the premium, and Medicare pays the remaining 74.5 percent. Section 1860D-13 of the Social Security Act, as added by the MMA (Pub. L. No. 108-173).

<sup>5</sup> The Medicare Prescription Drug Plan Finder recommended Humana PDP Complete among the top three choices. However, that plan does not have a gap in coverage and therefore does not report the drug prices it negotiates. Because that plan did not report the base price of its drugs, it was impossible to make a plan vs. VA price comparison. Therefore, Humana PDP Complete was excluded from this analysis.

<sup>6</sup> The individual savings estimates assume that the individual in this example is not eligible for any added low-income assistance under Medicare Part D.

<sup>7</sup> Among the 49 different Medicare prescription drug plans included in this study, each of the top 20 drugs appears on several formularies. Only a very few plans covered all 20 drugs. The most restrictive plan covered only six of the top 20 drugs. On average, plans covered 17 of the top 20 drugs. However, inclusion on a formulary does not mean that the plan does not impose other types of restrictions on the drug’s use, such as prior-authorization, a requirement that other treatments be tried first (step therapy), or quantity limits. (Medicare Prescription Drug Plan Finder, located online at [www.medicare.gov](http://www.medicare.gov), plan data accessed the week of November 14, 2005.)

<sup>8</sup> Amerihealth Advantage RX covered only six of the top 20 drugs; Elder Health PDP Mid-Atlantic covered only 10; and Coventry AdvantraRx covered only 12. (Medicare Prescription Drug Plan Finder, located online at [www.medicare.gov](http://www.medicare.gov), plan data accessed the week of November 14, 2005.)

<sup>9</sup> Medicare prescription drug plans must provide enrollees with access to “negotiated prices.” This does not mean that beneficiaries have access to all the discounts that Medicare drug plans have negotiated with manufacturers. The regulations implementing the Medicare drug benefit define “negotiated prices” as “prices for covered Part D drugs that are . . . reduced by those discounts, direct or indirect subsidies, rebates, other price concessions, and direct or indirect remunerations that the Part D sponsor has *elected* to pass through to Part D enrollees at the point of sale” (emphasis added). Medicare drug plans are required to report to CMS only the aggregate price concessions from each drug manufacturer that they pass on to plan enrollees. Price information reported to CMS is confidential. *Federal Register*, Vol. 70, No. 18, Friday, January 28, 2005, Medicare Prescription Drug Benefit Final Rule, Background, p. 4244.



## APPENDIX:

# Drug Price Comparisons

### Selection of the Drugs Used in the Analysis

The drugs used in this analysis are the most frequently prescribed drugs in the Pennsylvania Pharmaceutical Assistance Contract for the Elderly (PACE) program. PACE is the largest and oldest outpatient prescription drug program for older Americans in the United States. In January 2004, there were 190,071 people enrolled in PACE, and in FY 2004, PACE filled over 9.4 million prescriptions. Because of the program's size and the abundance of claims data, it is commonly used to estimate prescription drug use among older Americans.

Using PACE claims data for 2004, Families USA identified the 20 drugs most frequently prescribed to seniors based on PACE claims volume. Because of some changes in drug availability, and because of the way drugs are designated in the PACE utilization information, the following change was made in the listing.

The drugs and their product descriptions are listed in Appendix Table 1 on page 19.

### About VA Prices

The Department of Veterans Affairs (VA) administers multiple drug pricing schedules on behalf of the federal government. The price schedules administered by the VA are the best representation of U.S. pharmaceutical prices achievable through government negotiations. For each pricing schedule, the negotiated prices are the prices at which a drug is available to any entity that is eligible to purchase from that schedule. For this report, we examined several of these pricing schedules as examples of the types of drug prices that can be obtained when the government uses its purchasing clout in negotiations with manufacturers. We briefly describe each of the pricing schedules used in this report below.

**The Federal Supply Schedule:** The Federal Supply Schedule (FSS) was established in 1949 to facilitate government supply purchases through pricing contracts. The VA is responsible for managing and awarding FSS contracts related to medical products and services, including prescription drugs. FSS prices are based on pricing data that manufacturers submit to the VA. The VA negotiates prices with the goal of obtaining prices that are equal to or better than Most Favored Commercial Customer (MFC) prices. However, on occasion, the Federal Supply Schedule price may be higher than the MFC price. FSS prices are available to all government agencies, including the VA, the Department of Defense, the Bureau of Prisons, the Indian Health Services, the Public Health Service, and some state veterans' homes. Virtually all prescription drug manufacturers participate in the Federal Supply Schedule for all of their products.

**Big-4 Prices:** The VA also administers the "Big-4" pricing program. This is a discount program that Congress established for the VA, the Department of Defense, the Coast Guard, and the Public Health Service. Under the Big-4 program, a price cap is set on what manufacturers can charge purchasers—the price of a drug covered under the Big-4 program cannot be more than 76 percent of the Non-Federal Average Manufacturer Price. In some instances, the VA obtains prices that are lower than required. Only brand-name drugs are covered under the Big-4 pricing schedule. Sometimes, manufacturers, not wanting to negotiate and administer separate pricing contracts, offer the same pricing to the Big-4 and the FSS. The groups that can access Big-4 pricing schedules can purchase from either the Federal Supply Schedule or the Big-4 pricing schedule, whichever has the lowest price.

**Restricted Federal Supply Schedule:** The Restricted Federal Supply Schedule (RFSS) is available to the VA and reflects additional price discounts that the VA has been able to obtain.

**National Contract Prices:** The VA further negotiates prices with manufacturers for the Veterans Health Administration and the 5 million veterans and dependents the program serves annually. National contracts are negotiated through competitive bidding. Low prices are generally obtained in exchange for inclusion on the VA formulary, the list of preferred drugs used by VA providers. National contract prices are generally lower than other pricing schedules, and only VA providers can purchase drugs from this price schedule.

VA facilities and providers can purchase from any of these VA price lists, including purchasing non-formulary drugs when necessary.

Appendix Table 2 shows the price schedule that had the lowest price for each of the top 20 drugs. Several drugs are listed on multiple schedules. For this report, Families USA used the lowest price on any of the four price schedules negotiated by the VA.

### **About Medicare Prescription Drug Plan Prices**

All drug price data are from the Centers for Medicare and Medicaid Services Medicare Prescription Drug Plan Finder located online at [www.medicare.gov](http://www.medicare.gov). All price data were accessed during the week of November 14, 2005—the week when individuals in Medicare could begin enrolling in a drug plan. For every plan offered in each of two regions, Families USA recorded the plan's price—mail order and retail—for each of the top 20 drugs. The two regions in the study were Region 5, which covers Washington, DC, Maryland, and Delaware, and Region 14, which covers Ohio. The Prescription Drug Plan Finder requires that all queries be based on a specific zip code. For Region 5, Families USA used zip code 20906, a zip code for the Baltimore/Washington metropolitan area. For Region 14, Families USA used zip code 45206, a zip code for the Cincinnati area.

A total of 49 different plans from 21 different plan sponsors were evaluated. Seventeen plan sponsors operated in both regions, and prices were recorded for each region. Prices used are the base prices for each drug during the plan's coverage gap—the period when individuals have no drug coverage from the plan and must pay the plan's price for drugs. Coverage gap prices are also the base prices that plans use to calculate when an individual meets the annual deductible, the initial coverage limit (the point at which the gap in coverage begins), and when an individual is eligible for catastrophic coverage. These base prices should reflect the drug discounts that plans have been able to negotiate. These prices *do* reflect what most in Medicare and taxpayers—who are subsidizing 74 of program costs—are paying for the drugs these private plans provide through the Medicare drug benefit.

For each drug, the lowest Medicare drug plan price is the lowest price reported across all plans operating in either of the two zip code areas, looking at both mail order and retail prices. Only drugs listed on a plan's formulary were included in this analysis; drug plans may not have engaged in any negotiations to obtain lower prices for non-formulary drugs. One plan, Humana PDP Complete, was excluded from the analysis. That was the only plan that did not have a gap in coverage and, as a consequence, did not report base drug prices.

Appendix Table 1

**Top 20 Drugs Prescribed to Seniors in 2004, by Name and Therapeutic Category**

Rank by # of Claims	Drug Name	Strength	Dose Form	Therapeutic Category
1	Plavix	75 mg	tab	Antiplatelet Agent
2	Lipitor	10 mg	tab	Lipid-Lowering Agent
3	Fosamax	70 mg	tab	Osteoporosis Treatment
4	Norvasc	5 mg	tab	Calcium Channel Blocker
5	Protonix	40 mg	tab	Gastrointestinal Agent
6	Celebrex	200 mg	cap	Anti-Inflammatory/Analgesic
7	Zocor	20 mg	tab	Lipid-Lowering Agent
8	Nexium	40 mg	cap	Gastrointestinal Agent
9	Lipitor	20 mg	tab	Lipid-Lowering Agent
10	Prevacid	30 mg	cap DR	Gastrointestinal Agent
11	Norvasc	10 mg	tab	Calcium Channel Blocker
12	Toprol XL	50 mg	tab	Beta Blocker
13	furosemide	40 mg	tab	Loop Diuretic
14	Actonel	35 mg	tab	Osteoporosis Treatment
15	Xalatan	0.005 %	sol	Glaucoma Treatment
16	Zocor	40 mg	tab	Lipid-Lowering Agent
17	metoprolol tartrate	50 mg	tab	Beta Blocker
18	Aricept	10 mg	tab	Alzheimer's Treatment
19	Zolof	50 mg	tab	Antidepressant
20	Toprol XL	100 mg	tab	Beta Blocker

**Source:** Most frequently prescribed drugs in the Pennsylvania PACE program in 2004, based on claims volume. Several generic drugs appeared multiple times at the same dosage with different manufacturers. Because the Medicare discount card does not distinguish between generic manufacturers in publicly available pricing data, each generic drug was listed in the order in which it first appeared.

Appendix Table 2

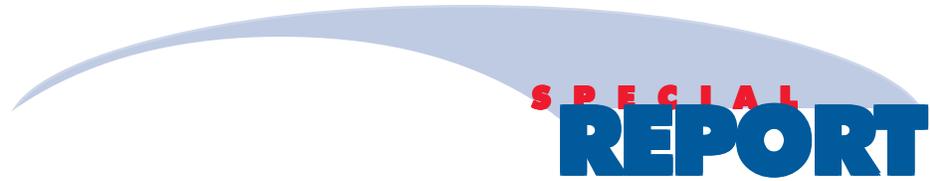
**Price Ranges and Annual Cost of Treatment, VA Pricing Schedules**

2004 Rank by # of Claims	Drug Name	Strength	Dose Form	VA Prices	
				Lowest Price	Schedule
1	Plavix	75 mg	tab	887.16	Big 4
2	Lipitor	10 mg	tab	498.84	FSS
3	Fosamax	70 mg	tab	493.32	FSS
4	Norvasc	5 mg	tab	301.68	FSS
5	Protonix	40 mg	tab	253.32	RFSS
6	Celebrex	200 mg	cap	602.40	Big 4
7	Zocor	20 mg	tab	167.76	RFSS
8	Nexium	40 mg	cap	979.68	FSS
9	Lipitor	20 mg	tab	747.48	FSS
10	Prevacid	30 mg	cap DR	850.20	FSS
11	Norvasc	10 mg	tab	330.00	RFSS
12	Toprol XL	50 mg	tab	159.72	FSS
13	furosemide	40 mg	tab	62.04	FSS
14	Actonel	35 mg	tab	355.44	RFSS
15	Xalatan	0.005 %	sol	266.64	RFSS
16	Zocor	40 mg	tab	251.64	NC
17	metoprolol tartrate	50 mg	tab	6.48	NC
18	Aricept	10 mg	tab	1,056.84	Big 4
19	Zolof	50 mg	tab	445.08	RFSS
20	Toprol XL	100 mg	tab	239.28	FSS

FSS: Federal Supply Schedule

RFSS: Restricted Federal Supply Schedule

NC: National contracts



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