



CALIFORNIA  
HEALTHCARE  
FOUNDATION

# Medicare Discount Drug Card Savings in California: Technical Summary

*Prepared for*  
CALIFORNIA HEALTHCARE FOUNDATION

*by*  
Consumers Union

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## About the Foundation

The **California HealthCare Foundation**, based in Oakland, is an independent philanthropy committed to improving California's healthcare delivery and financing systems. Formed in 1996, our goal is to ensure that all Californians have access to affordable, quality healthcare.

For more information about CHCF, visit us online at [www.chcf.org](http://www.chcf.org).

## About Consumers Union

Consumers Union, publisher of *Consumer Reports*, is an independent, nonprofit testing and information organization serving only consumers. It is a comprehensive source for unbiased advice about products and services, personal finance, health and nutrition, and other consumer concerns.

For this analysis, Consumers Union assembled a team that included actuarial consultants as well as consumer experts.

For more information on Consumers Union, visit [www.consumersunion.org](http://www.consumersunion.org).

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# I. Background

*For some consumers, the cards are worth a close look.*

UNDER PROVISIONS OF THE MEDICARE Prescription Drug, Improvement, and Modernization Act of 2003, Medicare-approved discount drug cards became available for purchase June 1, 2004 in California and throughout the country. As little information exists to assess the value of prescription drug discount cards, the California HealthCare Foundation (CHCF) sponsored a Consumers Union (CU) analysis of Medicare-approved discount card savings. The results of this analysis, summarized here, provide concrete advice to California consumers about the circumstances under which these cards are most useful.

Under California law (SB 393) Medicare beneficiaries, regardless of income or supplemental insurance status, may obtain prescriptions at Medi-Cal negotiated prices if they (1) obtain prescriptions through a Medi-Cal-participating pharmacy, (2) present their Medicare card and (3) state that they want to receive Medi-Cal prices for their prescriptions. A 2002 CHCF analysis found that savings under the SB 393 program average 20 percent off pharmacy retail prices.<sup>1</sup> Since these savings are already available to Medicare consumers on request, Medi-Cal prices are an appropriate benchmark against which to measure savings available through the new Medicare-approved discount cards.

## **Analysis of Discount Drug Cards Shows Some Savings**

The team concluded that many, but not all, of the new Medicare-approved discount cards provide additional savings to some, but not all, California Medicare consumers. Savings vary substantially among the cards, by type of supplemental coverage, and by health status. Some consumers—particularly those who don't spend much on drugs and who already have relatively comprehensive drug coverage such as Medigap Plan J or an HMO prescription plan that includes coverage for brand-name drugs—are unlikely to achieve additional savings by obtaining the card. For most other consumers—particularly those with traditional Medicare only and those who spend more than \$1,000 on prescriptions per year, the cards are worth a close look. (For a more detailed examination of the cards, see the Health Currents article “Drug Discount

Cards Worth A Second Look” at [www.californiahealthline.org](http://www.californiahealthline.org).)

The research team conducted two types of analysis. In the first, consumers’ total annual costs with each card were computed for a ‘market basket’ of 34 drugs, as shown in Appendix B. These drugs account for almost half of total spending for drugs in the Medicare population. In the second analysis, cards were compared for five different prescription drug spending scenarios, reflecting specific drugs that might be used by particular consumers. The drug spending scenarios are shown in Appendix C. Each drug spending scenario was then evaluated separately under five different scenarios for health insurance coverage, ranging from none to a moderately extensive plan covering both brand and generic drugs. The methodology section provides additional information (see Appendix A).

## **Prescription Drug Coverage Scenarios**

***Traditional FFS, Medicare only.*** No additional coverage for prescription drugs.

***Medicare Supplement Plan J.*** \$250 deductible, 50 percent coverage of prescriptions to \$3,000.

***Medicare HMO drug plan covering generic prescriptions.*** Subject to a \$10 copayment for generic drugs and a \$500 annual maximum. This level of coverage is typical of Medicare HMO drugs plans currently available in California.

***Medicare HMO drug plan covering both generic and brand prescriptions.*** Subject to a \$5 copay for generics, \$20 copay for brand drugs, and a \$1,000 annual maximum. This level of coverage is typical of employer-sponsored retiree medical plans and is also available in a few California locations to Medicare consumers seeking to enroll as individuals.

***Low income.*** Eligible for \$600 in transitional assistance. A \$600 subsidy is available to income-eligible consumers who are not enrolled in Medi-Cal. The scenario assumes no supplemental coverage beyond traditional Medicare and the \$600 in transitional assistance.

## II. Key Findings

*For consumers with extensive drug coverage, obtaining a discount card can actually increase costs.*

### Medicare-approved discount cards can provide additional savings.

Based on the analysis of composite annual cost for the entire 34-drug sample, several cards provided average savings in the range of 5 to 10 percent beyond the savings available through Medi-Cal (see Table 1). The average savings across all cards was 3 percent below the aggregate savings available under Medi-Cal pricing.

**Table 1. Medicare-approved Discount Cards: Average Overall Spending and Savings**

	AVERAGE SPENDING	
	with Discounts	Relative to Medi-Cal
<b>BENCHMARK: Medi-Cal Prices</b>	\$656	N/A
<b>Greatest Savings</b>	\$587	- 10%
<b>Median Savings</b>	\$647	- 1%
<b>Least Savings</b>	\$696	+ 6%
<b>Top Three Cards (greatest savings)</b>		
Precision Discounts (Option A)	\$587	- 10%
SHL RxCard	\$591	- 10%
ScripSolutions Freedom	\$599	- 9%

Note: Savings figures are in relation to the Medi-Cal benchmark prices.

### Savings vary depending on supplemental coverage.

As shown in Table 2, savings are greatest for those who do not already have extensive drug coverage. The team analyzed the five different coverage scenarios described on page 5. Because most of the plans charge an annual enrollment fee (up to \$30), the cards must generate additional savings to become a good investment. The presence of extensive drug coverage (such as Medigap Plan J or HMO coverage that includes both brand and generic drugs) reduces the share of savings that actually reach the consumer, since the plan pays some of the cost whether or not the consumer has a discount card. A person who fills one prescription per month will likely pay only their copay; a drug card would not reduce their cost since the copay is not affected by the discount card. As shown below, for

**Table 2. Medicare-approved Discount Cards: Average Annual Spending for a Consumer with Two Brand-name Prescriptions, by Coverage Scenario**

	Traditional Medicare	Medigap Plan J	HMO Generic Only*	HMO Generic & Brand†	Low Income#
<b>BENCHMARK Medi-Cal Prices</b>	<b>\$1,301</b>	<b>\$776</b>	<b>\$1,301</b>	<b>\$480</b>	<b>\$1,301</b>
<b>Lowest Spending</b> (% savings)	\$1,202 (7.6%)	\$726 (6.4%)	\$1,202 (7.6%)	\$480 (0.0%)	\$602 (53.7%)
<b>Median Spending</b> (% savings)	\$1,266 (2.7%)	\$773 (0.4%)	\$1,266 (2.7%)	\$510 (-6.3%)	\$666 (48.8%)
<b>Highest Spending</b>	\$1,945	\$1,108	\$1,945	\$945	\$1,345
<b>Top Three Cards (greatest savings)</b> (\$ savings)	Precision Discounts (Option A) (\$99)	Precision Discounts (Option A) (\$49)	Precision Discounts (Option A) (\$99)	N/A	Precision Discounts (Option A) (\$699)
	Preferred Prescription Discount Card (\$78)	Scrip Solutions Freedom (\$39)	Preferred Prescription Discount Card (\$78)		Preferred Prescription Discount Card (\$678)
	Scrip Solutions Freedom (\$77)	Liberty Prescription Discount Card (\$35)	Scrip Solutions Freedom (\$77)		Scrip Solutions Freedom (\$677)

Notes: Savings figures are in relation to the Medi-Cal benchmark prices. See Appendix C (Individual, B) for specific drugs analyzed.

\* with \$500 maximum

† with \$1,000 maximum

# eligible for a \$600 subsidy

consumers with extensive drug coverage, obtaining a discount card can actually increase costs, due to enrollment fees that are not offset by savings relative to Medi-Cal prices. For people who qualify for Transitional Assistance, obtaining a card is likely to reduce their drug costs considerably, due to the \$600 subsidy.

**Savings vary depending on prescription drug spending and are greatest for those using multiple brand-name drugs.**

As shown in Table 3 on the following page, savings also vary depending on consumers’ prescription drug spending. The team analyzed savings for five hypothetical consumers, A through E, ranging from use of one (A) through eight (E) brand-name prescription drugs. (See Appendix C for specific drugs analyzed for each consumer).

Because different cards can offer dramatically different discounts for particular prescriptions, the cards affording the highest savings differed for each consumer profiled.

**Although cards offer savings, the remaining cost to consumers is still high.**

While savings of 5 to 15 percent are significant, consumers must still pay the remaining 85 to 95 percent from their own pockets. Even if they are able to identify and enroll in a card that offers them maximum savings, consumers without other drug coverage taking multiple brand name drugs may face annual out-of-pocket costs of \$3,000 to \$7,000.

**Table 3. Medicare-approved Discount Cards: Average Annual Spending for Consumers with Traditional Medicare Coverage Only, by Several Drug Spending Scenarios**

	A (1 drug)	B (2 drugs)	C (3 drugs)	D (5 drugs)	E (8 drugs)
<b>BENCHMARK Medi-Cal Prices</b>	<b>\$934</b>	<b>\$1,301</b>	<b>\$3,433</b>	<b>\$4,946</b>	<b>\$7,235</b>
<b>Lowest Spending (% savings)</b>	\$781 (16.4%)	\$1,202 (7.6%)	\$2,986 (13.0%)	\$4,404 (11.0%)	\$6,056 (16.3%)
<b>Median Spending (% savings)</b>	\$890 (4.7%)	\$1,266 (2.7%)	\$3,204 (6.7%)	\$4,681 (5.4%)	\$6,730 (7.0%)
<b>Highest Spending</b>	\$935	\$1,945	\$3,433	\$5,111	\$7,235
<b>Top Three Cards (greatest savings) (\$ savings)</b>	SHL RxCard (\$153)  Precision Discounts (Option A) (\$109)  Preferred Prescription Discount Card and Prescription Discount Card (\$99)	Precision Discounts (Option A) (\$99)  Preferred Prescription Discount Card (\$78)  Scrip Solutions Freedom (\$77)	EnvisionRx Plus (\$446)  Preferred Prescription Discount Card (\$430)  Public Sector Partners Prescription Drug Discount Card (\$430)	SHL RxCard (\$542)  Preferred Prescription Discount Card (\$479)  Public Sector Partners Prescription Drug Discount Card (\$461)	Public Sector Partners Prescription Drug Discount Card (\$1,179)  EnvisionRx Plus (\$1,090)  Precision Discounts (Option A) (\$1,077)

Notes: Savings figures are in relation to the Medi-Cal benchmark prices. See Appendix C for specific drugs analyzed for each consumer.



# III. Update and Additional Findings

*Because card sponsors are allowed to change prices on a weekly basis, consumers' savings will vary over time.*

KEY FINDINGS ARE BASED ON DATA AVAILABLE May 11 and May 18, 2004. Because card sponsors are allowed to change prices on a weekly basis (yet consumers, once enrolled, may only change cards annually), consumers' savings will vary over time. On June 7, 2004, the team obtained updated data and found that most cards offered improved prices; in some cases, prices for particular drugs were dramatically lower. As compared to the original analysis reported here, the June 7th update indicated that more cards offered composite annual prices below the Medi-Cal level, and that median discount levels also improved in most scenarios.

The update raised questions about the accuracy of data at the CMS Web site. One card that scored well in the May analysis (SHL Rx Card) was shown on June 7th as having approximately doubled its prices for two drugs. As of June 7th, this card would have had the highest composite cost among all the cards for the 34 drug sample. The team's methods and data sources cannot confirm whether this change represents a reporting error or true volatility in discounts.

The analysis focused primarily on Medicare-approved discount cards. However, the team also examined the discounts available through Costco, a national drugstore with locations throughout California.<sup>2</sup> The team found that Costco's savings were near Medi-Cal prices in most scenarios.

## Appendix A. Methodology

On May 11 and May 18, 2004, the team obtained prices available through the Medicare-approved discount drug cards from the Center for Medicare & Medicaid Services (CMS) website.<sup>3</sup> Prices for Medi-Cal were obtained through the Web site for the Medi-Cal SB 393 program.<sup>4</sup> All 33 Medicare-approved cards available in California for which CMS had pricing information on these dates were analyzed across four locations (Los Angeles, San Francisco, San Diego, and Sacramento). The team calculated the composite annual cost per Medicare enrollee separately for each Medicare-approved card and for Medi-Cal. Each drug was weighted according to its annual utilization among the Medicare (over age 65) population. For cards that had enrollment fees, those fees were included in the annual cost estimates.

Scenarios were based on a subset of the total spectrum of drugs taken by Medicare enrollees. A different set of scenarios (e.g., people with different conditions, and hence different drugs taken) would likely produce different results for each card. Thus, these results should be considered indicative, rather than definitive. The analysis focused on the drugs that account for the greatest proportion of spending in the Medicare population. These tend to be expensive drugs, and all drugs in our study are brand name drugs. People taking only generic drugs will likely have different results. Since generic drugs tend to be less expensive than brand-name drugs, and since the analysis shows that the greatest savings occur for individuals spending the most on drugs, it is likely that discount card savings among people who take only generic drugs will be lower than those reported here.

## Appendix B. List of Drugs Analyzed

Product	Drug Therapy Class	Pricing Type*
Aciphex	Gastrointestinal agents	SSB
Actos	Oral hypoglycemics	SSB
Allegra	Antihistamines	SSB
Aricept	Other CNS agents	SSB
Avandia	Oral hypoglycemics	SSB
Celebrex	NSAIDS	SSB
Cipro	Fluoroquinolones	SSB
Coumadin	Miscellaneous (Anticoagulant)	MSB
Cozaar	ACE inhibitors	SSB
Detrol	Miscellaneous (Antispasmodic)	SSB
Evista	Miscellaneous (Osteoporosis)	SSB
Flomax	Other CNS agents	SSB
Flovent	Steroids - bronchial	SSB
Fosamax	Miscellaneous (Osteoporosis)	SSB
Glucophage	Oral hypoglycemics	SSB
Levaquin	Fluoroquinolones	SSB
Lipitor	Anti-hyperlipidemia agents	SSB
Lotrel	ACE inhibitors	SSB
Miacalcin	Other endocrine	MSB
Neurontin	Other CNS agents	SSB
Norvasc	Calcium channel blockers	SSB
Paxil	Anti-depressants	SSB
Plavix	Miscellaneous (Atherosclerosis)	SSB
Pravachol	Anti-hyperlipidemia agents	SSB
Premarin	Other endocrine	SSB
Prevacid	Gastrointestinal agents	SSB
Prinivil	ACE inhibitors	SSB
Prozac	Anti-depressants	SSB
Synthroid	Thyroid medications	MSB
Toprol XL	Beta blockers	SSB
Vioxx	NSAIDS	SSB
Xalatan	Miscellaneous (EENT preparations)	SSB
Zocor	Anti-hyperlipidemia agents	SSB
Zoloft	Anti-depressants	SSB

\*“MSB” denotes brand-name drugs available from multiple manufacturers.

“SSB” denotes brand-name drugs available from a single manufacturer.

Drugs were ranked based on total Medicare spending. Originally, the top 40 drugs that account for about 50 percent of Medicare spending were included. Those for which Medi-Cal SB 393 prices were unavailable were excluded from the analysis, leaving these 34 drugs (which in aggregate account for approximately 42 percent of total annual Medicare expenditures).

## Appendix C. Drug Spending Scenarios

Individual	Product	Drug Therapy Class
A	Fosamax	Miscellaneous (Osteoporosis)
B	Glucophage Zoloft	Oral hypoglycemics Anti-depressants
C	Cozaar Lipitor Prevacid	ACE inhibitors Anti-hyperlipidemia agents Gastrointestinal agents
D	Avandia Celebrex Lipitor Norvasc Paxil	Oral hypoglycemics NSAIDS Anti-hyperlipidemia agents Calcium channel blockers Anti-depressants
E	Actos Allegra Flovent Lotrel Prevacid Toprol XL Vioxx Zocor	Oral hypoglycemics Antihistamines Steroids - bronchial ACE inhibitors Gastrointestinal agents Beta blockers NSAIDS Anti-hyperlipidemia agents

All products are brand-name drugs available from a single manufacturer.

## Endnotes

1. California HealthCare Foundation, “Pharmaceutical Discounts for Medicare Beneficiaries Can Save Seniors Money,” September 2002, available at [www.chcf.org/topics/view.cfm?itemID=20080](http://www.chcf.org/topics/view.cfm?itemID=20080).
2. Costco prices were obtained at [www.Costco.com](http://www.Costco.com) by clicking on “Pharmacy” and then “Pricing Information.”
3. Drug discounts for Medicare-approved cards were obtained at [www.medicare.gov/AssistancePrograms/home.asp](http://www.medicare.gov/AssistancePrograms/home.asp).
4. Medi-Cal SB 393 rates were obtained at [www.medi-cal.ca.gov/sb393inq.asp](http://www.medi-cal.ca.gov/sb393inq.asp).



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