

RESEARCH MEMO

TIC INTERNATIONAL CORPORATION

To: MANAGERS, CONSULTANTS, OTHER PROFESSIONALS

FROM: DAVID LIVINGSTON, DIRECTOR OF RESEARCH

RE: **PICK A CARD – ANY CARD? THE MEDICARE DRUG DISCOUNT CARD LOTTERY BEGINS!!!**

INTRODUCTION

On April 29, 2004 the Centers for Medicare and Medicaid Services opened a website dealing with the new Medicare-approved drug discount card program. The location is: <http://www.medicare.gov/>.

This site provides extensive information about the new Medicare-approved drug card program which becomes effective on **June 1, 2004**. This program is established under the *Medicare Prescription Drug Improvement and Modernization Act of 2003*. It is available on a voluntary basis to every Medicare beneficiary regardless of income or other health care coverages.

WHAT'S ON THE WEBSITE?

Everything a Medicare beneficiary needs to know for purposes of deciding whether or not to participate in this program may be found at the website cited above including the following features which are directly linked to each item:

1. *NEW DRUG PRICE COMPARISON INFORMATION AVAILABLE NOW!*

This site permits the Medicare beneficiary to find out what cards apply in his or her geographic area (zip code), what the annual fee is (if any), what drugs can be purchased at a discount, the discounted price, which pharmacies will honor a particular card, and other information intended to assist the beneficiary select the card best designed for his her particular needs.

2. *NEW PUBLICATIONS ABOUT THE MEDICARE-APPROVED DRUG DISCOUNT CARDS*

This site has a **34-page booklet** entitled *Guide to Choosing A Medicare-Approved Drug Discount Card*.

This booklet is **an excellent starting point** for any Medicare beneficiary interested in the discount card program. **Every health fund office should have a copy of this publication available from which copies can be readily made and distributed if inquiries concerning the new drug discount program are received by the health plan's fund office.**

3. *INFORMATION ABOUT THE MEDICARE PRESCRIPTION DRUG IMPROVEMENT AND MODERNIZATION ACT OF 2003*

This site provides a comprehensive review of all of the major provisions in the Act.

The basic purpose of this Memo is: (1) review the basic requirements of the Medicare-approved drug discount card program (abbreviated hereafter as **MDDCP**); (2) make some suggestions regarding how the fund office for a multiemployer health plan should respond to inquiries about the new program; and (3) discuss other available sources of information about the MDDCP.

Because the program is so new and because there are over 70 card sponsors competing for attention, it is reasonable to expect some confusion among seniors as they go about trying to determine whether the discount card program is relevant to their situation. Despite the availability of the Medicare website designed to answer most questions about the program, CMS estimates that **only one-third of persons** 65 and older have access to the Internet, either in their home, at a nursing facility, or at senior citizen centers in the community.

However, there will be no shortage of information available from other sources (discussed later in this Memo) and seniors will be faced with making some tough decisions regarding their need for drug discounts and what the best way is to acquire such discounts.

For those of you who may wish to look at discounts available on specific drugs provided by pharmacies and other entities in your geographic area (zip code), consult the attachment to this Memo, prepared by the TIC Research Department, which describes the mechanics of using **<http://www.medicare.gov/>** for comparative pricing data.

BASIC REQUIREMENTS OF THE MDDCP

The new Medicare law provides for a discount drug card program to begin on June 1, 2004 and end on December 31, 2005. It is intended as **a transitional program** preceding a more fully developed drug program called **Part D Medicare** which is scheduled to begin on January 1, 2006.

Drug manufacturers, pharmaceutical benefit managers, pharmaceutical chains and other entities with appropriate qualifications were invited to submit applications to the Centers for Medicare and Medicaid Services (CMS) for approval or rejection as discount drug card sponsors. To date, 73 card sponsors have been approved by CMS, and some additional applications are still under consideration.

How much will the discounts be? Various discount percentages have been tossed out ranging from 10% to 30% but we will just have to wait and see. There is no minimum discount required on any drug under the new Medicare law and no prohibition against raising prices or changing discounts at any time.

CMS promises to post the new pricing and discounts **every Monday**. Constant pricing changes will make it more difficult for seniors to sort through which card might be the best for their particular situation. The hope is that over time, the listing of prices on a single Medicare website will help stabilize the level of discounting as drug manufacturers, pharmacies, and PBMs make their own comparisons. **CMS has promised to monitor drug prices to watch for unwarranted increases in the discount prices and to detect “bait-and-switch” schemes.**

The discount card is available to any Medicare beneficiary. However, the most likely purchaser will be a Medicare beneficiary **who currently has no drug coverage whatsoever**. For those participating in a Medicare supplement program or in an HMO or PPO that covers drugs for a relatively low dollar or percentage copay, the card is not likely to have much attraction.

If a person chooses to enroll in a Medicare-approved discount card one month, he or she can use the discount card as early as the first day of the next month. Enrollment started on May 3, 2004. An enrollment form is available on the Medicare website.

Card sponsors are permitted **to charge an annual fee for the card up to a maximum of \$30**. A scan of fees currently being charged (as reported for zip code 48917) revealed fees ranging from \$0-\$30 with varied fees in-between (such as \$14.95, \$19.95, \$24.95, and \$29.95).

A Medicare beneficiary is NOT permitted to enroll for more than one card at a time. A participant is permitted to change cards but this requires payment of the annual fee (if any) for the new card.

For a detailed description of the drug discount program and a complete list of approved card sponsors and the geographic area covered by each, see Research Memo 2004-20, 4/7/04.

SUGGESTIONS FOR FUND OFFICE STAFF

Given the newness and complexity of the MDDCP, it would not be surprising to find some retirees who are Medicare beneficiaries turn to the fund office for advice regarding the purchase of a Medicare-approved drug discount card even though they currently have drug coverage under the retiree plan.

A WORD OF ADVICE: Since the purchase of a drug discount card is a voluntary decision and since it will depend a great deal on individual circumstances, **it would be advisable** for fund office staff not to get too deeply involved in helping a specific Medicare beneficiary decide whether or not to participate in the discount card program, let alone which card best fits his or her needs.

This is especially true if the retiree and his or her spouse already enjoy drug benefits under the multiemployer health plan (or under the spouse's plan) since chances are that the plan's dollar or percentage copays are generally a much better deal than use of the typical Medicare-approved drug card.

Moreover, some pharmacies and drug companies have been providing their own discount cards for some time prior to the Medicare program and these arrangements may already provide better discounts on a particular drug than anything available under the new program. In addition, some participants may have gotten used to buying their drugs from Canada, once again at discounts superior to anything under the Medicare program.

For all of these reasons the value of the Medicare program may be minimal. As a result, fund office staff should limit its consultation solely to providing materials prepared by CMS and avoid individual recommendations that might come back to haunt staff later on.

As a practical matter, it would make sense to provide information **upon request only** to Medicare beneficiaries who currently have no drug coverage by making it as easy as possible to get hold of the CMS information they need to make an individual decision. In that regard the fund office should reproduce a few copies of the 34-page booklet mentioned earlier, prepared by CMS and entitled *A Guide To Choosing A Drug Discount Card* (listed as the second item on the Medicare website). **This booklet can be handed out at the fund office or mailed first class to anyone who inquires about the program at a cost of \$1.06.**

This is something that **can be done easily and inexpensively** and should contribute immeasurably to the professional image of the fund office and its staff as well as answer most of the seniors' questions about the MDDCP. It may also be advisable to alert a Medicare beneficiary to the special website devoted to the drug discount program at **<http://www.medicare.gov/>** for any individuals who indicate knowledge of how to use the Internet. (See attachment for instructions on how to search for pricing data.)

Depending on the volume of inquiries, it may also be useful to pinpoint the responsibility for responding to all discount card inquiries **with one person** in the fund office in order to maintain consistency and accuracy in the responses.

OTHER SOURCES EDUCATING SENIORS ABOUT THE MDDCP

Despite the difficulty of explaining this fairly complicated program to seniors, there will be no shortage of groups and interested parties who are prepared to undertake such an endeavor.

AARP has already mailed explanatory materials to its **36 million members** and has also made a concerted effort to explain the program in layman's language in the May issue of the *AARP Bulletin*. In addition, AARP is scheduling numerous seminars in major metropolitan areas and has solicited AARP members to provide individual counseling sessions.

According to the Wall Street Journal (4/28/04) the major pharmaceutical companies are planning to send out **80,000 sales representatives** to visit doctors directly in an effort to promote a particular card (or cards) offering discounts on the drugs that they manufacture. The expectation is that if a Medicare beneficiary gets used to this temporary program now, it will be easier to get that person to sign up for the permanent Medicare drug program when it is introduced on January 1, 2006 and to continue his buying habits with the same drug at the same pharmacy.

Medicare itself is undertaking **a TV ad blitz costing \$18 million** urging Medicare beneficiaries to call **1-800-MEDICARE** for information about the new drug program. Unfortunately, CMS has already concluded that they are grossly understaffed to handle the volume of calls received (and this situation is likely to get worse as the effective date of June 1, 2004 gets closer)!!!

Editorial comment: One way or the other, it seems likely that most seniors will "get the word" but the complexity of the program and the weekly updating of price data on the website is bound to lead to some confusion, misinformation, and misunderstanding! **This is a brand new social experiment and we can expect to find supporters and critics alike voicing their strong opinions between now and December 31, 2005 when the program will be disbanded (at least under current Medicare law) and the full-blown Medicare drug program will be introduced on January 1, 2006.** (For details on this latter program, refer to Research Memo 2003-49, 12/15/03, pages 4-10.)

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ATTACHMENT

HOW TO SEARCH FOR COMPARATIVE DRUG PRICES

The CMS has constructed a very useable website to help beneficiaries, plan sponsors, PBMs, and other interested parties in comparing the discounts available from various card sponsors. This is a quick run down of the steps required to access the comparative data (but be sure to read carefully any additional instructions along the way).

- The website is: <http://www.medicare.gov/>. Click on “**New Drug Price Comparison Information Available Now.**” This will bring up a page entitled: “**Prescription Drug and Other Assistance Programs.**”
- Right below this title are 4 tabs. Click on the “**Quick Search**” tab and it will take you directly into the pricing data. (It is not necessary to answer any of the questions under Step 1.)
- **Be sure to insert your zip code in the box labeled “Zip Code Locator.”**
- On the left there is a list of over 209 drugs commonly used by seniors. It is NOT necessary to scroll through the entire list in order to find the name of the drug (or drugs) for which you would like to see the discount pricing.

All that is required is to type in the first four or five letters of each drug in the box provided at the beginning of the list. For example: for Celebrex, type in “Celeb.” **It will automatically bring that drug up to the top of the list. Nothing could be easier!**

- Highlight the drug name. Click on “**Add>**” and the name of the drug appears in the box entitled “**List of Drugs Selected.**”
- **Repeat this procedure for each drug** in which you are interested, then click on “**Continue**” (bottom right-hand corner).
- Click on “**Agree/Continue**” which appears in a box in the lower right-hand corner.
- For each drug selected, it is necessary to type in “**Dosage**” and “**How many pills are taken each month**” in the space provided. Then click on “**Continue.**”
- Select distance you are willing to travel to purchase the drug(s) – for example, 1 to 5 miles. Click on “**Continue.**”
- **Follow Instructions For Triggering:**
 - Name of drug card sponsors covering your drug(s)
 - Number of retail pharmacies within the specified area (zip code) that will accept your card

- Discount price with your card
- Annual fee for the named card
- **Once the discount price for a particular drug is listed at various pharmacies in your area, the prices can be automatically arranged from high to low (or low to high) by using the appropriate arrow at the top of the price column.**

NOTE: The steps highlighted above were accurate as of 5/4/04. However, it would not be surprising if CMS makes some refinements in the formatting and instructions as they hear from Medicare beneficiaries and others about how easy or difficult the site is to use.

There already have been complaints from some drug card sponsors that the prices shown are not reported on the website accurately, but it is difficult to know who is at fault. Presumably accuracy will improve as some of the initial reporting “bugs” are worked out with plan sponsors.