



Office of External Affairs

MEDICARE FACT SHEET

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MEDICARE DRUG COVERAGE PROVIDES SIGNIFICANT PRICE DISCOUNTS AND SAVINGS

Savings of Over 70 Percent Possible Through Medicare Prescription Drug Plans

This report presents updated findings from an ongoing analysis by the Centers for Medicare & Medicaid Services (CMS), which was originally released in March 2006 and then updated in June 2006. This updated analysis demonstrates that Medicare beneficiaries with common chronic conditions enrolled in Medicare prescription drug plans (PDPs) are seeing significant savings off of their prescription drug costs that are by and large extremely stable and – in several cases – larger than those initially presented in the March report.

For this analysis, CMS created profiles of 16 illustrative Medicare beneficiaries with common chronic conditions, each taking a different array of commonly used medications, and ran each of them in two ZIP codes. These profiles were developed by pharmacists and other medical professional staff at CMS in early 2005 prior to Medicare Part D, and were intended to be representative of a range of Medicare beneficiaries. Key findings include the following:

- Compared to what Medicare beneficiaries without prescription drug coverage would pay, choosing the plan with the lowest annual overall cost for their prescription drugs would save the illustrative beneficiaries in this analysis an average of 60 percent off of their drug costs—with maximum savings of up to 72 percent. Choosing from a range of lower-cost plans can save up to 52 percent—and even the mid-priced plan can save up to 44 percent.
- Savings increase substantially for beneficiaries switching to generic medications, with maximum savings increasing to 76 percent. Even larger savings are possible for beneficiaries who also switch to lower-cost “therapeutically equivalent” brand-name drugs—with maximum savings for these illustrative beneficiaries increasing to 82 percent.
- Beneficiaries can generally achieve substantial savings by choosing a plan on the basis of its low premium as well. Were the illustrative beneficiaries in this study to select the plan with the lowest premium available in their area, they would save 33 percent to 72 percent off of what they would pay on average without coverage.

These savings have been largely stable and reliable since the program began. Over the nine-month period spanning December 2005 through August 2006, the prices paid by Part D enrollees for the drugs in the 16 profiles analyzed here have gone up by less than have the Average Wholesale Prices (AWPs) that affect other public and private drug purchasers (1 percent vs. 2.9 percent, respectively). Thus, increases in the average prices for these drugs have been significantly below both medical inflation and general inflation, providing access to substantially discounted prices to beneficiaries even while in the coverage gap.

This price stability has translated into substantial, reliable, and—in many cases—increasing savings that exceed 50 percent over the course of the year. Looking across the 10 lowest-cost plans in each of the 16 baskets in our analysis, for instance, almost one-third (29 percent) of all plans actually saw their projected annual costs *decrease* from December 2005 through July 2006—and another 32 percent of these plans saw increases of less than 2 percent. In addition, over the course of this same eight-month period, the projected annual out-of-pocket costs of the plans initially ranked lowest in cost increased by an average of just \$5 (or, by less than 1 percent).

This analysis demonstrates that beneficiaries can focus on selecting a plan based on the attributes that matter most to them personally—such as low monthly costs, broad coverage of medications, and access to a wide range of pharmacies—and still realize substantial savings.

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