



Most Medicare Beneficiaries Overpay for Prescriptions Due to Huge Variation in Part D Drug Costs

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Summary

When Medicare beneficiaries compare Medicare Part D drug plans based on the drugs they take, they tend to find a huge variation in estimated drug costs between plans. Unlike other services, Medicare does not negotiate drug prices on behalf of beneficiaries. The plan with the lowest-priced drug can be hundreds or even thousands of dollars less than the highest cost plan for the very same drug. Yet the majority of Medicare beneficiaries rarely shop for their best drug plan during Medicare's annual Open Enrollment Period, which runs from October 15th through December 7th. Consequently, Medicare beneficiaries in Part D and Medicare Advantage plans overpay for their prescription medications even though less expensive, high quality plan choices are available. This occurs even though free, trained help is available to compare and choose plans.

Background

The rapidly rising prices of prescription drugs are among the fastest-growing costs faced by retirees. From 2000 to 2018, average annual out-of-pocket costs of prescription drugs for adults age 65 and up rose by 253 percent¹. A recent national survey by The Senior Citizens League (TSCL) found that 56 percent of all survey participants — the majority of whom receive their health coverage through Medicare — spend more than \$50 per month out-of-pocket on prescription medications. One-out-of-five survey participants (20 percent) report spending more than \$250 per month.²

TSCL surveys have found, on average, that 86 percent of survey participants believe that Congress should enact legislation to give Medicare the authority to negotiate prescription drug prices, particularly for the drugs sold at pharmacies under Part D and Medicare Advantage drug plans.³ Reducing the cost of prescription drugs was a key issue in the 2016 presidential election, and remains a high priority for Congress.

Prices for prescription drugs covered under Part D are the only covered benefit for which the government does not negotiate on behalf of beneficiaries. Medicare negotiates prices for all other services and durable medical equipment, including coverage for prescription drugs under Part B, such as infusion medications given in a physician's office. Instead of Medicare negotiating drug prices, the job is left to private insurers who offer drug plans. Plans are given considerable leeway in setting co-pays and/or co-insurance, assigning drugs to tiers, and determining which drugs are even covered. The effectiveness of private drug plans in lowering the cost of medications is uneven among plans, as this analysis illustrates. As the examples show, the price of an identical prescription drug can vary dramatically, sometimes by hundreds or even thousands of dollars, from the lowest cost Part D plan to those costing the most.

Medicare Part D is unlike other insurance. It has several phases of coverage and requires a high level of cost-sharing in the form of deductibles and out-of-pocket spending. In addition, changes in the plan enrollee's health during the year can add significant drug costs even for those who carefully choose their drug plan. High cost drugs may push people into the coverage gap, a stage at which drug costs often (but not always) are higher. Part D plans each have their own formulary and may not cover certain drugs, particularly those with the highest prices.

In addition, Part D plans have no annual out-of-pocket maximum, and costs for the sickest can be in the thousands per year. While Medicare has a well-publicized fall Open Enrollment period from October 15th until December 7th, because of the complexity of choosing between dozens of drug plans, the vast majority of Medicare beneficiaries rarely shop and compare their options. A frequently-cited reason for doing so is not knowing how, or where to get unbiased help. Due to these issues, this sample comparison suggests that tens of millions of Medicare recipients are overpaying for their prescription medications, even though less expensive,

¹ 2019 Loss of Buying Power Study, Mary Johnson, The Senior Citizens League, May 2019.

² 2019 Senior Survey, results through May 30, 2019.

³ Annual Senior Surveys 2016, 2017, and 2018, The Senior Citizens League.

high quality plan choices are available. It should also be noted, because private insurers are negotiating drug prices instead of Medicare, this also means the federal government (taxpayers) are overpaying for the federal government's share of Part D costs.

Methodology:

This analysis compares the lowest and highest cost for a list of 12 commonly-prescribed brand name and specialty drugs, as well as two of the most common generic medications. The price comparison for each drug was performed using Medicare's "Drug Plan Finder" online tool, all drug searches were made using a single zip code. While drug prices vary by the area of the country, the search was performed for a single zip code and county of residence, as if an individual Medicare beneficiary were comparing prices and plans for a specific drug. Prices illustrated may vary somewhat in other parts of the country depending on residence.

The Medicare Drug Plan Finder requires the entry of two retail pharmacies for any search, and this analysis used WalMart and CVS, two pharmacies that are likely to be found in many areas of the nation. In addition, the search also shows the cost for mail order and "walk-in" pharmacies. The choice of pharmacy is another factor that can influence the cost, some very significantly, even under the same drug plan. For example, the lowest-cost drug plan for the cancer drug Revlimid charges \$2,572 co-insurance for the first month, when purchased from CVS (the preferred pharmacy). However according to the Medicare Drug Finder, purchasing that same drug, under the same drug plan from WalMart would cost roughly \$25,913.50 the first month. Drugs and prices are shown in Table 1, found on page 6.

Prices are based on the exact dosage and quantity shown under the drug name, and this analysis uses the "default" dosage choice from the Medicare Drug Plan Finder. Since dosage and quantities vary significantly from patient to patient, these are for reference only, to provide a fixed amount for price comparison. Individual patients may require more or less of a drug than the dosage or quantity shown.

Major Findings

1. The difference in drug prices between the lowest and highest costing plans can be in the hundreds, or even thousands, of dollars. For brand name and specialty drugs, the most frequent reason that a drug costs so much more in the highest costing plan is lack of coverage. The drug is not listed on the high cost plan's formulary. For example, the lowest cost plan for Sovaldi, a drug used to treat Hepatitis C, charges \$5,600 in co-insurance (for a one-year treatment). The highest cost drug plan charges \$100,800, the full cost of the drug, because Sovaldi is not on the plan formulary. The lowest cost plan for Advair Diskus, which is used to control and prevent symptoms of pulmonary disease, charges a co-pay of \$38.33

per month from a mail order pharmacy, or the highest cost plan charges \$626.62 per month because the drug is not on the plan's formulary.

2. New Part D plan drug pricing programs may lower costs for those who seek out the savings. Recent Congressional scrutiny on drug pricing may be spurring some drug plans to drop prices. One of the biggest cost-savings found is a new drug plan pricing program that lowers the cost of insulin. In the 2018, the lowest cost Part D plan charged an \$80 copay for a 100/ML of Lantus Solostar. In 2019, the lowest cost plan charges copays as low as \$6.00 - \$11.00 for Lantus Solostar in the Cigna-HealthSpring Rx Secure — Extra Part D plan. The highest cost plan, which does not cover Lantus, charges the full price, \$383.18 per 100/ML.
3. High premiums don't purchase better coverage. The generic blood pressure medication, Lisinopril is one of the most commonly used prescriptions by Medicare beneficiaries. The least expensive Part D plan, charges \$0 copay for Tier 1 generics, and the monthly premium is just \$14.50 in the zip code used in this search. The most expensive plan charges a co-pay of \$9.19, and the plan has a monthly premium of \$93.30 — a difference of \$1,055.88 for the entire year counting premiums.
4. Co-insurance for specialty drugs can be in the thousands of dollars and can use the entire Part D initial coverage limit when filling the prescription for the first time, bumping enrollees into the coverage gap and even into catastrophic coverage. Coinsurance for the first month's fill of chemo drug Revlimid is \$2,572, which includes the deductible, the entire initial coverage amount, and cost-sharing in the coverage gap. A single one-month supply exceeds the initial coverage amount required in out-of-pocket spending for catastrophic coverage. Each on-going refill costs \$1,063.15 at the catastrophic level of coverage. Unfortunately for people using the drug, there is no cap on out-of-pocket spending.

Recommendations for the Public

The sample drugs in this comparison illustrate that there can be hundreds, or even thousands, of dollars in price difference between Medicare drug plans for the very same drug. Because Medicare isn't negotiating prices on behalf of beneficiaries, there's no consistency in the pricing of a specific medication. The pricing disparity is highest when the drug isn't covered, and high drug prices can be life-threatening when individuals don't have the finances to afford costly prescriptions.

To avoid overpaying for prescriptions, and to find the most affordable coverage, the importance of comparing drug plans during Medicare's Fall Open Enrollment period October 15th -December 7th can't be overstated. Most people 65 and over take more than one prescription drug and, to get the best plan, consumers need to compare plans based on all the drugs they actually take. In addition, consumers should compare prices between pharmacies, including mail order which can also vary, sometimes very significantly.

Most importantly, free one-on-one assistance is available to help compare and select plans through state health insurance assistance programs. Many of these programs operate through Area Agencies on Aging, or senior centers. Consumers can call for a consultation at any time during the year, and should make appointments for help early in October during the Open Enrollment period.

Conclusion

The Senior Citizens League is working for enactment of legislative measures that would lower prescription drug costs three different ways:

1. Authorize Medicare to negotiate drug prices on behalf of beneficiaries. Legislation in the 116th Congress includes: Medicare Prescription Drug Price Negotiation Act (H.R. 275), Medicare Drug Price Negotiation Act (H.R. 488), Empowering Medicare Seniors to Negotiate Drug Prices Act (S.62), Medicare Drug Price Negotiation Act (S.99).
2. End deals between drug manufacturers that keep generics off the market. Legislation in the 116th Congress includes: Preserve Access to Affordable Generics and Biosimilars Act (S.64),
3. Allow the importation of FDA-approved prescription drugs from countries like Canada, where prices are lower than in the United States. Legislation includes Affordable and Safe Prescription Drug Importation Act (H.R. 447), Safe and Affordable Drugs from Canada Act (S.61), Affordable and Safe Prescription Drug Importation Act (S.97),

How Prescription Drug Prices Vary Between Medicare Part D Plans

Table 1.

Brand Name Typical 30 Day Supply	Drug	Use	Low Price	Lowest Cost Drug Plan	Type of Pharmacy For Lowest Cost	High Price	Highest Cost Drug Plan
Advair Diskus AER 250/50 1 x 1 Blister Pack of 60 aerosols	fluticasone	Control and prevent wheezing or ongoing lung disease	\$38.33 - \$46.00 \$99.37 in coverage gap	SilverScript Choice	Mail order lowest, walk-in higher	\$626.62 (nc)*	Mutual of Omaha Rx Plus
Eliquis Tab 5mg 60	apixaban	Prevent blood clots	\$38.33-46.00 \$112.03 in coverage gap	SilverScript Choice	Mail order lowest, walk-in higher	\$534.02 (nc)*	AARP Medicare Rx Walgreens
Enbrel INJ 50 mg/ml 1 X 0.98 ml syringe (package of 4 syringes)	etanercept	Rheumatoid arthritis	Month #1: \$1,575.60 (includes deductible, initial coverage and hits gap) Month #2: \$1,095.60 in coverage gap Month #3 onward: \$252.60 catastrophic coverage	Express Scripts Medicare Saver	Walk-in	\$6,209.28 (nc)*	Aetna Medicare Rx Saver
Brand Name Typical 30 Day	Drug	Use	Low Price	Lowest Cost Drug Plan	Type of Pharmacy For	High Price	Highest Cost Drug Plan

Supply					Lowest Cost		
Humira INJ 40mg/0.8 1 x 1 Box of 1 solution (sold in package of 2 solutions)	adalimumab	Arthritis, Crohn's disease	Month #1: \$1,609.80 (initial coverage, and hits gap) Month #2 \$907.80 in coverage gap Month #3 onward: \$260.80 catastrophic coverage	SilverScript Choice (Premium 29.20)	Walk-in	Month #1: \$1,711.00 (deductible, initial coverage, and hits gap) Month #2 \$1,124.00 coverage gap Month #3 onward: \$283.00 catastrophic coverage	Cigna- HealthSpring Rx Security- Extra (Premium: \$60.40)
Januvia TAB 100/mg 30	sitagliptin	Type 2 diabetes	\$38.33 - \$46.00 \$113.80 in coverage gap	SilverScript Choice	Mail order lowest, walk-in higher	\$538.74 (nc)*	AARP Medicare Rx Walgreens
Lantus Solostar INJ 100/ml 1 x 3ml pen (sold in package of 5 pens)	Insulin glargine	Diabetes, long- acting insulin	\$6.00 - \$11.00 \$116.47 in coverage gap	Cigna HealthSpring Rx Secure- Extra	Mail order lowest, walk-in higher	\$383.18 (nc)*	WellCare Extra

Brand Name Typical 30 Day Supply	Drug	Use	Low Price	Lowest Cost Drug Plan	Type of Pharmacy For Lowest Cost	High Price	Highest Cost Drug Plan
Lyrica CAP 75mg 60	pregabalin	Fibromyalgia	\$38.33 - \$46.00 \$118.08 in coverage gap	SilverScript Choice	Mail order lowest, walk-in higher	\$183.65 \$114.78 in coverage gap	Anthem Blue MedicareRx Standard
Revlimid CAP 10mg 30	lenalidomide	Chemotherapy	Month #1: \$2,572.00 (deductible, initial coverage and coverage gap) Month #2 onward: \$1,063.15 catastrophic coverage	AARP Medicare Rx Walgreens Premium: \$28.00	CVS	Month #1: \$3,236.70 (deductible, initial coverage and coverage gap) Month #2 onward: \$1,058.70 catastrophic coverage	Express Scripts Medicare Choice Premium: \$93.30
Sovaldi TAB 400mg 84 (1 year)	sofosbuvir	Hepatitis C	\$5,600 (deductible, initial coverage and catastrophic)	Express Scripts Medicare Choice	Walk-in	\$100,800 (nc)*	Anthem Blue Medicare Rx Plus
Xarelto TAB 20mg 30	rivaroxaban	Treat and prevent blood clots	\$38.33 - \$46.00 \$113.00 in coverage gap	SilverScript Choice Premium: \$29.20	Mail order lowest, walk-in higher	\$47.00 \$109.83 in coverage gap	Express Scripts Medicare Choice Premium: \$93.30

Generic (Former brand)	Drug	Use	Low Price	Lowest Cost Drug Plan	Type of Pharmacy For Lowest Cost	High Price	Highest Cost Drug Plan
(Lipitor)	Atorvastatin Calcium TAB 10mg 30	Cholesterol	\$0.00 \$1.66 in coverage gap	WellCare Value Script Premium: \$14.50	Price same mail order or preferred walk-in (CVS)	\$1.28 \$.47 coverage gap	Express Scripts Medicare Choice Premium: \$93.30
(Qbrelis, Zestril, Prinivil)	Lisinopril TAB 10mg 30	High blood pressure	\$0.00 \$0.44 in coverage gap	WellCare Value Script Premium: \$14.50	Price same mail order or preferred walk-in (CVS)	\$9.19 \$3.40 coverage gap	Express Scripts Medicare Choice Premium: \$93.30

*Codes: NC (Not covered)

The coverage gap is also called the doughnut hole.