MEDICARE PART D 2010 DATA SPOTLIGHT

PRICES FOR BRAND-NAME DRUGS IN THE COVERAGE GAP

Prepared by Juliette Cubanski and Tricia Neuman[i]; Elizabeth Hargrave[ii]; and Jack Hoadley and Laura Summer[iii]

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A unique feature of the Medicare Part D drug benefit is the coverage gap, or so-called "doughnut hole," where Part D enrollees are required to pay 100 percent of total drug costs after their spending exceeds the initial coverage limit, before qualifying for catastrophic coverage. The coverage gap in the Part D standard benefit is $3,610 in 2010 and is projected to increase to $5,755 by 2018, under current law.[1] Part D enrollees who reach the coverage gap are likely to have multiple chronic conditions and take either several medications or a smaller number of relatively expensive brand-name drugs. An estimated 3.4 million Part D enrollees (14 percent of all enrollees and 26 percent of those using prescription drugs and not eligible for the low-income subsidy) reached the coverage gap in 2007.[2] Health reform legislation that would gradually close the coverage gap is pending.

There has been an increase over time in drug prices in the coverage gap for commonly used brand name drugs, representing a potential barrier to access to medications for Part D enrollees. This Medicare Part D data spotlight documents prescription drug prices paid by Part D enrollees for ten commonly used drugs, based on data from the Centers for Medicare & Medicaid Services. The sample drugs are drawn from the list of brand-name drugs most often used by Part D enrollees in 2006 (the most recent published data). The sample consists of the top ten brand-name drugs from that list for which no generic versions were available as of February 2010.[3] As new drugs have entered the market, we expect that the ranking of these drugs may have shifted somewhat since 2006, but all remain commonly prescribed drugs. We collected price data from the Medicare Prescription Drug Plan Finder as reported by national and near-national Medicare stand-alone prescription drug plans (PDPs), and calculated the median price across these plans in each year for the top ten brands.[4] This research is part of a broader effort analyzing Medicare Part D plans in 2010 and trends since 2006, with key findings summarized in a series of data spotlights.[5]

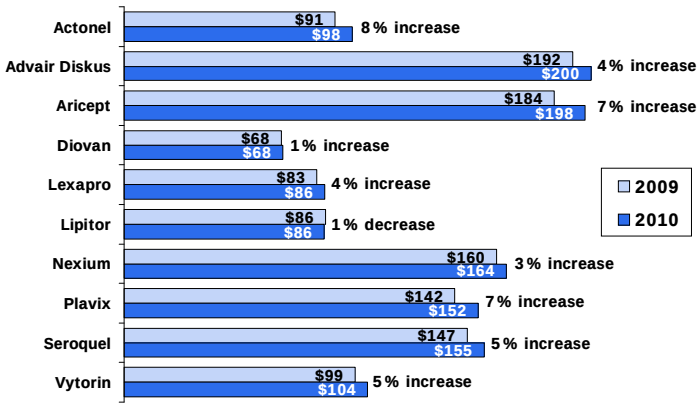
KEY FINDINGS

Between 2009 and 2010, monthly prices in the coverage gap increased by 5 percent or more for half of the top ten brand-name drugs (Exhibit 1) – while the Consumer Price Index for Urban Consumers (CPI-U) increased by 2.7 percent and the CPI for medical care (CPI-M) increased by 3.5 percent between January 2009 and January 2010.[6]

- For example, the price for Actonel, a treatment for osteoporosis, increased by 8 percent, from $91 per month in 2009 to $98 per month in 2010.
- The prices for both Aricept, an Alzheimer's disease medication, and Plavix, to prevent blood clots, increased by 7 percent between 2009 and 2010, from $184 to $198 and $142 to $152, respectively.

Exhibit 1

Full Negotiated Prices for Top Ten Brand-Name Drugs in National and Near-National PDPs, 2009-2010



SOURCE: Georgetown/NORC analysis of data from CMS for the Kaiser Family Foundation.
NOTES: Amounts shown are for top ten brand-name drugs based on prices found on the Medicare Drug Plan Finder.

- Only one of the top ten drugs experienced a price decrease between 2009 and 2010; the monthly price for Lipitor, a cholesterol treatment, decreased by 1 percent, from slightly more than $86 to just under $86 per month.

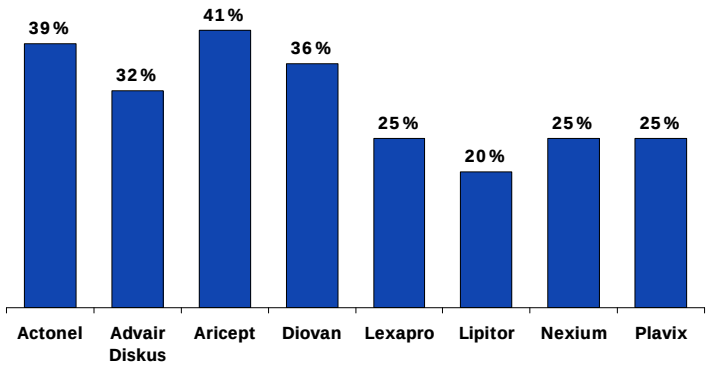
Author affiliations: [i] Kaiser Family Foundation [ii] NORC at the University of Chicago [iii] Georgetown University

Between 2006 and 2010, monthly prices in the coverage gap increased by 20 percent to 25 percent for Lipitor, Plavix, Nexium, and Lexapro, 39 percent for Actonel, and 41 percent for Aricept (Exhibits 2 and 3).[7] By comparison, increases in the CPI-U and CPI-M were 9.2 percent and 16.1 percent between January 2006 and January 2010.[8]

- For example, the monthly price for Nexium, a treatment for acid reflux disease, increased by 25 percent between 2006 and 2010, from $132 to $164.
- The monthly price for Advair, an asthma medication, increased by 32 percent, from $152 in 2006 to $200 in 2010.

Exhibit 2

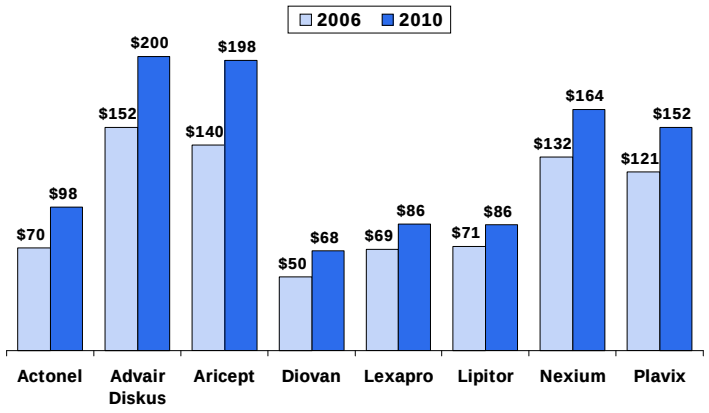
Percent Increase in Full Negotiated Prices for Top Brand-Name Drugs, 2006-2010



SOURCE: Georgetown/NORC analysis of data from CMS for the Kaiser Family Foundation.
NOTES: Amounts shown are for eight of the top ten brand-name drugs based on prices found on the Medicare Drug Plan Finder.

Exhibit 3

Full Negotiated Prices for Top Brand-Name Drugs in National and Near-National PDPs, 2006-2010



SOURCE: Georgetown/NORC analysis of data from CMS for the Kaiser Family Foundation.
NOTES: Amounts shown are for eight of the top ten brand-name drugs based on prices found on the Medicare Drug Plan Finder.

IMPLICATIONS

Part D enrollees who reach the coverage gap incur significant out-of-pocket costs before qualifying for catastrophic coverage – assuming they continue to take their medications. For example, an older woman taking Actonel for osteoporosis, Aricept for memory loss, and the blood thinner Plavix would spend $448 per month in 2010 after she reached the gap (in roughly six months), and would remain in the gap for the rest of the year, assuming no changes in her drug regimen. Between 2009 and 2010, her total monthly out-of-pocket costs in the gap for these three drugs would have increased by 7 percent (from $417 to $448) – at a time when Part D premiums also increased and there was no increase in Social Security payments.

As drug prices increase over time, so too do the costs incurred by Part D enrollees – not only in the coverage gap, but also in plans that charge coinsurance rather than flat copayments. Rising costs may also result in beneficiaries reaching the gap earlier in the year. Previous research confirms that some enrollees who reach the coverage gap – including those with serious chronic conditions such as diabetes and depression – forgo needed medications when faced with the full cost of their prescriptions. With many Part D enrollees at risk of forgoing needed medications or incurring high out-of-pocket spending in the coverage gap, efforts to phase out the gap could provide substantial relief for Part D enrollees who rely on multiple medications or high-cost brand-name drugs and are not otherwise helped by the low-income subsidy.

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[1] Estimate for 2018 based on 2009 Medicare Trustees Report.
[2] Hoadley J et al., "The Medicare Part D Coverage Gap: Costs and Consequences in 2007," Kaiser Family Foundation, August 2008.
[3] See "Appendix.pdf": http://www.cms.hhs.gov/PrescriptionDrugCovGenIn/Downloads/PartDSymposiumPresentations_2008.zip.
[4] The Medicare Prescription Drug Plan Finder can be accessed at http://www.medicare.gov/MPDPF/. We collected price data for all plan sponsors that offer stand-alone prescription drug plans (PDPs) in at least 29 regions; this list of plans varied slightly from year to year. Price data were based on zip code 21201 (Baltimore, MD). In previous work, we have not found that the full price of a drug listed in the Plan Finder varies significantly by geography. We thank Kosali Simon, Cornell University, for assistance in collecting price data.
[5] Other Medicare Part D 2010 Data Spotlights, based on the authors' analysis of CMS data, are available at http://www.kff.org/medicare/med110909pkg.cfm.
[6] Estimates reflect the seasonally adjusted changes in the index values for the CPI-U and CPI-M from January 2009 to January 2010, as reported by the Bureau of Labor Statistics, accessed at http://data.bls.gov/PDQ/servlet/SurveyOutputServlet.
[7] The Medicare Plan Finder only shows current prices; of the top ten brands, we have collected price data for eight drugs in each year since 2006 (excluding Seroquel and Vytorin), and for all ten since 2007. Had we shown price changes for all ten drugs over the 2007-2010 period, the results would not differ appreciably from the results shown here for eight of the top ten brands over the 2006-2010 period.
[8] Estimates reflect the seasonally adjusted changes in the index values for the CPI-U and CPI-M from January 2006 to January 2010.