



Medicare beneficiaries reach \$5 billion in drug savings

By: Kelley Kennedy – July 9, 2013

Since passage of the health care overhaul two years ago, 5.8 million Medicare patients have saved \$5 billion from prescription drug discounts, and the government can now predict lower health care costs based on increased use of these cheaper drugs.

The savings are a continuation of the 2010 health care law's attempt to close the "doughnut hole" — or the prescription drug coverage expenses that kick in once Medicare coverage runs out. The Department of Health and Human Services plans to announce those savings Monday.

"The health care law is saving money for people with Medicare," said HHS Secretary Kathleen Sebelius, before adding that open enrollment ends on Friday.

In 2012, Medicare coverage ends when total prescription costs top \$2,930. Drugmakers participating in Medicare agreed to give the government a 50% discount on premium drugs and 14% on generic drugs as part of the health care law, and to extend those discounts to seniors who have exhausted their coverage and are forced to pay for the drugs themselves.

Because of these discounts, in the first 10 months of 2012, Medicare beneficiaries saved \$1.86 billion on prescription drugs, compared with \$1.51 billion in the first 10 months of 2011, according to HHS. The last months of the year tend to have higher savings as people run out of coverage and enter the doughnut hole.

The Congressional Budget Office announced an added benefit Thursday: Cheaper drugs means more people taking their medication, reducing long-term medical costs. When Medicare patients take an antibiotic to prevent further infection, or properly take their insulin or hypertension medications, they save the government money in the long run by stabilizing their illnesses and preventing emergency hospitalizations.

"Using the revised methodology, CBO estimates that the net cost of implementing the provisions closing the coverage gap will be \$51 billion, rather than the \$86 billion estimated prior to the revision," the CBO report states.

But Michael Cannon, director of health policy studies for the Cato Institute, a libertarian think tank that has come out against the Affordable Care Act, said that as "politicians and lobbyists" expand the drug benefits, more people who don't need them use them, and "health care spending rises."

"It's an attractive story: New government subsidies lead more people to take their medicine, leading to lower health care spending," he said. "Problem is, it's almost never true."

Cato has also argued that lowering the prices of name-brand medications will steer seniors away from generic drugs, thus causing the government more money.

That may not be the case. Before the doughnut-hole discounts started, customers would learn their benefits had run out and stop taking their more expensive medications, said Steve Simenson, president of Goodrich Pharmacy and past president of the American Pharmacists Association. His store caters to hundreds of patients each day, he said.

Now, however, more customers are taking advantage of generic medication — even on the government's dime — so their coverage lasts longer, Simenson said.

"They're asking for them," he said. "I'm not sure they know it's because of the Affordable Care Act. They're still not quite educated on the nuts and bolts of the benefits."

Ultimately, they see a difference, even if they don't know where the benefit comes from, he said: "Better adherence leads to better outcomes."

Previous CBO reports did not list the financial benefits of patients taking affordable prescription medications, because there was insufficient evidence of an "offsetting" effect. On Thursday, the office said every 1% increase in prescriptions filled by Medicare patients would cause the program's spending to drop by one-fifth of 1%.

The change in policy came after dozens of studies and research showed a link between changes in prescription use and in spending for medical services, according to the CBO.

"A substantial body of evidence indicates that people respond to changes in cost sharing by changing their consumption of prescription drugs," CBO stated in their report.

Critics of the law had warned that Part D premiums would go up, as would medications for non-beneficiaries as drug companies tried to make up for the loss in profits in from the discounts. However, premiums have stayed stable, and the Government Accountability Office, the non-partisan watchdog arm of Congress, found that prices for brand-name drugs used by Medicare beneficiaries increased at a similar rate before and after the government required discounts in January 2011.