



HHS report: Medicare prescription drug savings hit \$5.7B

By: Kelly Kennedy - February 7, 2013

WASHINGTON — Seniors have saved about \$5.7 billion on prescription drugs since January 2011 because of provisions in the 2010 health care law meant to close the Medicare "doughnut hole," the government plans to announce today.

"This discount has led more people to be able to afford their medication, which keeps them healthier and can help bring down costs in the long run," said Jon Blum, director of the Center for Medicare, part of the Centers for Medicare and Medicaid Services (CMS).

In 2012, seniors saved \$2.5 billion on prescriptions, compared to \$2.3 billion in 2011, according to a new report from the Department of Health and Human Services. That's an average of \$706 per person in 2012.

And 34.1 million Medicare beneficiaries used preventive services provided with no deductibles or co-pays in 2012. Those services include everything from annual physicals to colorectal-cancer screening. Before, a colorectal cancer screening could cost as much as \$160, according to HHS.

Drugmakers have agreed to give the government a 52.5% discount on premium drugs and 21% on generic drugs to participate in Medicare in 2013, and the government will pass the savings to seniors. In 2013, the gap, or doughnut hole, starts when a person's Part D initial coverage reaches \$2,970. The law closes the gap by 2020.

About one-third of the savings came from chronic disease care: high blood sugar, high blood pressure and high cholesterol medications.

Critics of the law, including the libertarian Cato Institute, have argued that the half-off savings for brand-name drugs would encourage seniors to use those medications, rather than generic drugs, and therefore cost the government more money. HHS reports that the program saved seniors \$2.5 billion on brand-name medications and only \$105 million on generics. However, the majority of seniors who reach the doughnut hole use name-brand drugs, while those who use generic medications tend not to reach that gap.

Last year, the Congressional Budget Office determined that the government could estimate cost savings based on the assumption that more people would take their medications if they could afford them and would therefore save the government money by stabilizing their illnesses and

preventing emergency hospitalization. The office changed its estimate that the doughnut hole would cost the government \$86 billion to \$51 billion because of those expected savings.

According to a January report from the CMS in the journal Health Affairs, the provision led to "somewhat greater use" of brand-name drugs in 2011.

The Cato Institute warned that Part D premiums would increase, but HHS said the average monthly premium for prescription drug coverage would rise by about 33 cents this year. The Government Accountability Office, the non-partisan watchdog arm of Congress, also found that prescription drug costs for Medicare beneficiaries grew at a similar rate before and after the government required discounts in 2011.