



***Medicare Drug Benefit Discounts Real & Holding Steady:***

An Analysis of Negotiated Drug Prices  
In the Medicare Prescription Drug Benefit after the First 30 Days

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## Summary of Findings

Pharmacy benefit managers (PBMs) offering Medicare prescription drug plans (PDPs) continue to provide significant discounts on the top 25 medications used by seniors. PBMs negotiate these discounts from drug manufacturers and pharmacies. Most seniors and disabled beneficiaries are responsible for their monthly premium and any cost sharing, deductibles or coverage requirements each time they obtain a prescription. The PDP “negotiated prices” referred to in this analysis—and the associated savings figures—compare prices that would be faced by a Medicare beneficiary paying cash at a retail pharmacy to the discounted price available to Part D seniors paying any deductibles required through their plan as well as any costs associated with the coverage gap popularly known as “the donut hole.”

- **PDPs Provide Significant Discounts:** PDPs are saving the Medicare program and its beneficiaries an average of 35 percent on medications purchased at retail pharmacies and 46 percent on medications purchased through mail-service pharmacies.
- **PDP Discounts Holding Steady:** Discounts negotiated by Medicare Prescription Drug Plans are essentially unchanged from a similar PCMA survey completed in November 2005.
- **Savings on Brands:** Medicare’s average savings on brand-name medications will range from 18 percent at retail pharmacies to 26 percent at mail-service pharmacies.
- **Savings on Generics:** Medicare’s average savings on generic drugs ranges from 52 percent at retail pharmacies to 66 percent at mail-service pharmacies.
- **Dollar Savings on Individual Drugs:** Medicare’s savings on individual drugs averages nearly \$14 at retail and nearly \$19 at mail-service pharmacies for a comparable supply.

A PDP’s “negotiated price” for a brand-name drug is typically derived by applying a percent discount negotiated by the PBM to the average wholesale price (AWP). Since November, increases in PDP “negotiated prices” for brand-name products have closely tracked increases in AWP price inflation. During this period, both AWP price inflation as well as PDP “negotiated prices” for brand-name products have increased roughly 5 percent.

**Exhibit 1: PBMs Negotiate Significant Discounts for Medicare Part D, February 2006**

Type of Prescription	Medicare Prescription Drug Plan vs. Retail Pharmacy Cash Price	
	Average Percent Savings Through Part D Retail Pharmacy	Average Percent Savings Through Part D Mail-Service Pharmacy
Brands	<b>18%</b>	<b>26%</b>
Generics	<b>52%</b>	<b>66%</b>
Average Part D Percent Savings for Top 25 Prescribed Medications	<b>35%</b>	<b>46%</b>

## Real Savings at Retail Pharmacies

Exhibit 2: PBMs Negotiated Price Discounts at *Retail* Pharmacies on Top Drugs Used by Seniors, February 2006

Rank	Medication	Strength	Retail Pharmacy Quantity (30 day)	Average Retail Pharmacy Cash Price	PDP Average Negotiated Retail Pharmacy Price	Dollar Savings	% Savings
1	Lipitor	10 mg	30	\$87.47	\$74.25	\$13.22	15%
2	levothyroxine sodium	75 mcg	100	\$27.74	\$22.02	\$5.72	21%
3	atenolol	50 mg	30	\$12.16	\$4.47	\$7.70	63%
4	amoxicillin	500 mg	30	\$17.09	\$4.76	\$12.33	72%
5	lisinopril	10 mg	30	\$18.99	\$11.05	\$7.94	42%
6	hydrochlorothiazide	25 mg	30	\$9.23	\$3.30	\$5.93	64%
7	furosemide	20 mg	30	\$9.20	\$3.21	\$6.00	65%
8	Norvasc	10 mg	30	\$79.11	\$63.17	\$15.94	20%
9	Zoloft	50 mg	30	\$98.79	\$81.80	\$16.99	17%
10	Zithromax Z-pak	250 mg	6	\$60.76	\$49.58	\$11.18	18%
11	Toprol XL	50 mg	30	\$37.03	\$24.56	\$12.47	34%
12	Zocor	20 mg	30	\$160.02	\$134.21	\$25.81	16%
13	cephalexin	500 mg	8	\$11.01	\$4.32	\$6.69	61%
14	Prevacid	30 mg	30	\$162.86	\$124.03	\$38.83	24%
15	Premarin	.625 mcg	30	\$35.05	\$34.25	\$0.80	2%
16	prednisone	20 mg	30	\$10.16	\$4.02	\$6.14	60%
17	metformin	500 mg	60	\$33.99	\$16.44	\$17.55	52%
18	levoxyll	100 mcg	30	\$19.44	\$8.90	\$10.54	54%
19	Ambien	10 mg	30	\$113.81	\$92.53	\$21.29	19%
20	fexofenadine HCL	180 mg	30	\$61.99	\$48.94	\$13.05	21%
21	Celebrex	200 mg	30	\$104.85	\$88.29	\$16.56	16%
22	Nexium	40 mg	30	\$156.86	\$136.03	\$20.83	13%
23	metoprolol	25 mg	60	\$19.00	\$8.95	\$10.05	53%
24	Fosamax	70 mg	4	\$88.14	\$68.47	\$19.67	22%
25	Zyrtec	10 mg	30	\$80.48	\$62.80	\$17.68	22%

**Average Percent Savings..... 35%**  
**Monthly Dollar Savings on Average Drug..... \$13.64**  
**Monthly Dollar Savings on Top 25 Drugs..... \$340.91**

## Real Savings at Mail-Service Pharmacies

Exhibit 3: PBMs Negotiated Price Discounts at *Mail-Service* Pharmacies on Top Drugs Used by Seniors, Feb 2006

Rank	Medication	Strength	Retail Pharmacy Quantity (30 day)	Average Retail Pharmacy Cash Price	PDP Average Negotiated Mail-Service Pharmacy Price*	Dollar Savings	% Savings
1	Lipitor	10 mg	30	\$87.47	\$67.19	\$20.28	23%
2	levothyroxine sodium	75 mcg	100	\$27.74	\$19.00	\$8.74	32%
3	atenolol	50 mg	30	\$12.16	\$2.48	\$9.68	80%
4	amoxicillin	500 mg	30	\$17.09	\$2.77	\$14.32	84%
5	lisinopril	10 mg	30	\$18.99	\$9.07	\$9.92	52%
6	hydrochlorothiazide	25 mg	30	\$9.23	\$1.32	\$7.91	86%
7	furosemide	20 mg	30	\$9.20	\$1.22	\$7.98	87%
8	Norvasc	10 mg	30	\$79.11	\$56.93	\$22.18	28%
9	Zoloft	50 mg	30	\$98.79	\$75.39	\$23.40	24%
10	Zithromax Z-pak	250 mg	6	\$60.76	**	**	**
11	Toprol XL	50 mg	30	\$37.03	\$21.06	\$15.97	43%
12	Zocor	20 mg	30	\$160.02	\$122.44	\$37.58	23%
13	cephalexin	500 mg	8	\$11.01	\$2.33	\$8.68	79%
14	Prevacid	30 mg	30	\$162.86	\$112.78	\$50.08	31%
15	Premarin	.625 mcg	30	\$35.05	\$30.16	\$4.88	14%
16	prednisone	20 mg	30	\$10.16	\$2.04	\$8.12	80%
17	metformin	500 mg	60	\$33.99	\$13.84	\$20.15	59%
18	levoxyl	100 mcg	30	\$19.44	\$7.03	\$12.41	64%
19	Ambien	10 mg	30	\$113.81	\$84.18	\$29.63	26%
20	fexofenadine HCL	180 mg	30	\$61.99	\$45.33	\$16.66	27%
21	Celebrex	200 mg	30	\$104.85	\$80.18	\$24.67	24%
22	Nexium	40 mg	30	\$156.86	\$124.55	\$32.31	21%
23	metoprolol	25 mg	60	\$19.00	\$6.15	\$12.85	68%
24	Fosamax	70 mg	4	\$88.14	\$62.11	\$26.03	30%
25	Zyrtec	10 mg	30	\$80.48	\$56.62	\$23.85	30%

\* Price quoted is for 30-day quantity. Mail-service generally requires the purchase of a 90-day supply.

\*\* Zithromax z-pak generally not available through mail-service.

**Average Percent Savings..... 46%**  
**Monthly Dollar Savings on Average Drug..... \$18.68**  
**Monthly Dollar Savings on Top 25 Drugs..... \$448.28**

## Methodology

To calculate the level of discounts negotiated by stand-alone and health-plan-owned pharmacy benefit managers (PDPs) participating in Medicare as prescription drug plans, PCMA examined prices posted on Medicare's "Prescription Drug Plan Finder" for the top 25 drug products most commonly used by seniors by five national PDPs. PPD prices were gathered February 3, 2006, for New York zip code 10110.

The list of top 25 drugs used by seniors is based on number of prescriptions written as reported by The Lewin Group in its May 2004 report on the Medicare Prescription Drug Discount Card.

PCMA examined PDP prices in New York in order to facilitate a comparison with the New York Attorney General's website. The majority of the average retail pharmacy cash prices were gathered from the New York Attorney General's web site (<http://www.nyagr.com/>) and reflect the range and average of pharmacy prices available in all counties in New York State.

Information on the following drugs was not available at the New York AG's website:

- Retail pharmacy cash prices for the drugs Norvasc, Toprol XL, levoxyl, and metoprolol were found at the Florida AG's web site (<http://www.myfloridarx.com/>) and reflect the range and average of prices available in Miami-Dade County.
- The retail pharmacy cash price for Premarin was found at the Ohio AGs web site ([http://www.ag.state.oh.us/site\\_map/agrx.htm](http://www.ag.state.oh.us/site_map/agrx.htm)) and reflect the range and average of prices available in Cincinnati, OH and the surrounding county.
- Prices for lisinopril, levothyroxine sodium, metformin, and fexofenadine were found at drugstore.com (<http://www.drugstore.com>)

**NOTE:** there is wide plan design and formulary variation – the assumptions used for the examples are conservative assumptions that did not take into consideration that some plans have no deductible or offer coverage in the Coverage Gap.