



CMA Weekly Alert – June 22, 2006

SECRETARY’S FOURTH PROGRESS REPORT ON MEDICARE PART D OVERSTATES SUCCESS, UNDERSTATES SERIOUS PROBLEMS

HHS Secretary Mike Leavitt’s fourth progress report on the Medicare prescription drug program, *Secretary’s Progress Report IV on the Medicare Prescription Drug Benefit*,¹ continues the pattern seen before – overstating the positives, understating the negatives – but with far fewer “facts” than previous progress reports. While the June 14 report is largely rhetorical (“The grassroots outreach effort – what I like to call a national ‘network of caring’ – that came together around Part D took on a life all its own in what became a truly remarkable undertaking – a singularly American moment.”), it contains some factual contentions that do not withstand scrutiny. Some alleged facts are false; others are misleading. Examples include the following:

Fourth Progress Report Says . . .	Studies Indicate . . .
<p>“Thanks to Part D, seniors are saving an average of \$1,100 a year.” (p. 1)</p>	<p>1. There is no way to support this blanket statement. Since plans can change their formularies and their utilization management tools throughout 2006, beneficiaries are not able to calculate their savings from Part D, if any, until the end of the calendar year.</p> <p>2. Drug prices have increased dramatically since January 2006. Families USA reports that “virtually all Part D plans raised their prices for <i>most</i> of the top 20 drugs prescribed to seniors” and that “the median Part D plan price changes were virtually identical to changes in manufacturer prices as measured by Average Wholesale Price.”² <i>The New York Times</i> reports that AARP found that prices for brand-name drugs jumped 3.9% during the first quarter</p>

¹ Secretary’s Progress Report IV on the Medicare Prescription Drug Benefit (June 14, 2006), <http://www.hhs.gov/medicare4.pdf>.

² Families USA, *Big Dollars, Little Sense: Rising Medicare Prescription Drug Prices*, Publication No. 06-104 (June 2006), <http://www.familiesusa.org/assets/pdfs/Big-Dollars-Little-Sense.pdf>.

	of 2006, reflecting “the largest quarterly price increase in six years.” ³
“In total, over 38.2 million Americans – 90 percent of all Medicare beneficiaries – now have prescription drug coverage.” (p. 2)	This statement is misleading. Most of these beneficiaries are not getting their prescription drugs from Part D plans, or already had drug coverage. CMS reported on June 14 that of the 38 million Medicare beneficiaries with prescription drug coverage, 17.3 million (45%) had <i>other</i> coverage: 8.4 million had retiree coverage, 3.5 million had federal retiree coverage, 5.4 million had other creditable coverage, and another 6.1 million dual-eligibles were auto-enrolled. ⁴ In other words, most of the beneficiaries with prescription drug coverage are either receiving their prescription drug coverage from employer- or union-based plans or FEHBP, not from Part D, or were auto-enrolled into a Part D plan because they are dual-eligibles, who already had drug coverage under Medicaid. In addition, the Secretary acknowledges that many of the most vulnerable beneficiaries are not enrolled in any plan; 4.4 million beneficiaries did not enroll in a plan, including more than 3 million beneficiaries who are low-income and could potentially qualify for a low-income subsidy. Families USA calculates that more than three-quarters of the beneficiaries eligible for the low-income subsidy are not enrolled in a Part D plan. ⁵
“[T]he average wait time for calls on the last day of enrollment was only a little over 12 minutes, and wait times in the final two weeks averaged under five minutes.” (p. 2)	The Government Accountability Office reported in May 2006 that the wait times for 25% of calls to 1-800 MEDICARE were longer than five minutes, with 25 of

³ Milt Freudenheim, “Drug Prices Up Sharply This Year,” *The New York Times* (June 21, 2006), <http://www.nytimes.com/2006/06/21/business/21drug.html>.

⁴ CMS, “Over 38 Million People with Medicare Now Receiving Prescription drug Coverage; Millions Getting Better Coverage Than Ever Before” (News Release, June 14, 2006), <http://hhs.gov/news/press/2006pres/20060614.html>.

⁵ Families USA, “The Medicare Drug Program Fails to Reach Low-Income Seniors; More Than Three out of Every Four Low-Income Seniors Eligible for Special Subsidies Are Still Without Drug Coverage” (May 2006), <http://www.familiesusa.org/assets/pdfs/Medicare-Enrollment-report-May-2006.pdf>.

	<p>500 calls (5%) having a wait time of 25 minutes or more.⁶ Moreover, a serious problem remains with the <i>quality of information</i> beneficiaries receive from 1-800 Medicare. The Government Accountability Office reported that CMS responses to nearly one out of three calls (33%) to 1-800-Medicare were inaccurate, inappropriate, or incomplete.⁷ The answers to some questions were especially inaccurate. The GAO reported, “for a question concerning which drug plan would cost the least for a beneficiary with certain specified prescription drug needs, the accuracy rate was 41 percent.”⁸ In other words, the answers were <i>wrong</i> almost 60% of the time.</p>
<p>Under the heading “Choice and Competition Work!” the report says, “The overall 2006 cost to the taxpayer has dropped about 20 percent from the July 2005 estimate, and estimates for the net total cost to Medicare for the ten-year period from 2006 to 2015 has been cut by \$180 billion. State phase-down contributions over the same period are now projected to be \$39 billion less.” (p. 2)</p>	<p>While the costs to federal and state governments for prescription drugs are lower than estimated last year, the Secretary ignores evidence that Medicare costs in other areas are rising because of Part D. The <i>New England Journal of Medicine</i> predicts that cost-savings from Part D are more than made up for by increased hospital costs.⁹ (finding “limits on drug benefits had consistently negative consequences,” including increased rates of nonelective hospitalizations, visits to emergency departments, and deaths). Further, as stated above, the prices of drugs and, therefore, the cost of Part D, have been increasing dramatically in 2006.</p>

For more information on this topic, please contact attorney Toby Edelman (tedelamn@medicareadvocacy.org) in the Center for Medicare Advocacy’s Washington, DC office, at (202) 216-0028.

⁶ GAO, *Medicare: Communications to Beneficiaries on the Prescription Drug Benefit Could Be Improved*, GAO-06-654, page 7 (May 2006), <http://www.gao.gov/new.items/d06654.pdf>.

⁷ *Id.* Page 6

⁸ *Id.*

⁹ John Hsu, et al, “Unintended Consequences of Caps on Medicare Drug Benefits,” *The New England Journal of Medicine* (June 1, 2006), <http://content.nejm.org/cgi/content/full/354/22/2349>.