

Medicare Part D - A Success

It seems that every opinion leader in the country has weighed in on the new Medicare prescription drug benefit. With November's elections just around the corner, pundits and politicians are filling the airwaves with compelling sound bites on its successes and failures. With all these competing assertions, it's time to distinguish myth from reality:

- **Myth No. 1: The Drug Benefit Is Too Complex And Too Confusing; It Is Impossible For A Layperson To Understand.**

More than 30 million seniors already are enrolled, and the vast majority are satisfied. A survey by America's Health Insurance Plans found that 88 percent had no trouble signing up or using their benefit. Only 3 percent had trouble enrolling. The Kaiser Family Foundation reported that over 80 percent are satisfied with the plan they selected and would pick the same plan again.

- **Myth No. 2: Under Medicare Part D, Prescription Drug Prices Are Rising.**

Like all persistent myths, this one has a kernel of truth to it. In a free market, prices rise and fall all the time, and that is also true for prescription drugs. But overall, the savings for seniors are significant. In a study released in June, the Centers for Medicare and Medicaid Services found that seniors in Medicare prescription drug plans saved up to 72 percent on their drugs compared to those without coverage. Meanwhile, Part D premiums now average about \$24 per month, which is nearly 35 percent lower than Congress expected last year.

- **Myth No. 3: We'd Be Better Off If The Government Could Negotiate Prices Like The Department Of Veterans Affairs.**

Nothing could be further from the truth. The VA decides which drugs can be prescribed and offers only 38 percent of the drugs approved by the Food and Drug Administration in the 1990s, and only 19 percent of the drugs approved since 2000. By comparison, Medicare's competing drug plans cover an average of nearly 90 percent of all of these new medicines and 100 percent of all priority medicines. That includes "miracle cancer" drugs like Gleevec and Tarceva. In fact, a Columbia University study by Professor Frank Lichtenberg recently found that VA drug restrictions have lowered veterans' life expectancy by an average of more than two months. Is that really an example we want to replicate?

• Myth No. 4: Allowing The Government To “Negotiate” Prices Isn’t The Same As Implementing “Price Controls.”

Once again, let’s look at the VA, which does have the authority to “negotiate” prices. By law, drug manufacturers can only charge the VA “76 percent of the non-federal average manufacturer price.” In other words, the law fixes the price of all VA drugs at a 24 percent discount. By definition, that is a price control.

But a provision in the Medicare Modernization Act bans the federal government from imposing price controls on drugs in the new Medicare plan. And this provision is key to the success of the Part D program. It allows private companies to compete and negotiate to get the lowest price — often lower than the drug companies would give if they had to set a single price. This competition has resulted in lower costs for the Medicare drug benefit than anyone ever expected. That’s a big reason why Part D premiums are actually lower than experts predicted a year ago.

• Myth No. 5: The “Donut Hole” Coverage Gap Is Hurting Low-Income Seniors Who Must Choose Between Food And Medication.

It’s horrible to think that a senior would be forced to choose between food and medication. Fortunately, this situation almost never occurs in real life. That’s because the coverage gap does not apply to low-income beneficiaries. All beneficiaries who qualify for Medicaid - the health program for the low-income Americans receive -prescription drug coverage with no premiums, no deductibles, and no gaps. And they pay very little or nothing for almost all of their prescriptions. Not only are the truly poor protected from the coverage gap altogether, but PricewaterhouseCoopers —an independent auditing firm — recently estimated that only 8 percent of all Medicare beneficiaries will fall into the donut hole. And most of the drug companies are offering special assistance programs to help seniors who don’t qualify for low-income support to afford their drugs if they hit the coverage gap.

The Medicare Drug benefit is good for America’s seniors. The Medicare drug benefit is far from perfect. In January, there were many glitches, especially in the opening days when the program was rolled out. But for the vast majority of seniors, Medicare Part D is saving them money and giving them the security of good insurance protection. Opinion leaders are doing a disservice by repeating unfounded myths about the program and discouraging seniors from enrolling.

Grace-Marie Turner is president of the Galen Institute, a research organization based in Alexandria, Va., that focuses on free-market ideas for health reform.