



Prescription Drug Discount Cards: Current Programs and Issues

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Prescription Drug Discount Cards: Current Programs and Issues

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EXECUTIVE SUMMARY

Prescription drugs play an increasingly important role in maintaining and restoring good health for seniors. With certain exceptions, however, Medicare does not cover the costs of self-administered, outpatient prescription drugs. It is because of these coverage gaps that helping seniors pay for prescription drugs has become a major public policy issue, both in Washington and in the states.

This report provides information on prescription drug discount card programs that already exist in the private market or are being sponsored by states. The purpose of the report is to provide a baseline of information that can help inform the policy debate about the advantages and disadvantages of promoting discount cards as an option for helping Medicare beneficiaries pay for prescription drugs. The report discusses the sponsorship and purpose of drug discount cards and uses information obtained from a survey of current private-sector and state-based programs to draw some generalizations about how these programs operate and their implications for consumers. The programs offered vary substantially in ways that have significant implications for beneficiaries, including the discounts they receive, the annual fees they face, and the ease with which they may obtain the specific drugs they need.

The drug discount card issue has been framed for most by the debate over the Bush Administration's proposal for Medicare-endorsed discount cards. It is important to emphasize, however, that the programs that exist today are different than the discount card programs that are envisioned under the Bush Administration's proposal. And none of the existing card programs could meet the proposal's requirements without some redesign. (Appendix 1 describes the features of the discount card program as originally announced by the Bush Administration in August 2001.) This report examines current discount card programs, but does not purport to assess the discount card plan proposed by the Bush Administration.

OVERVIEW

What is a Prescription Drug Discount Card? Prescription drug discount cards are also known as “consumer cards,” “point of sale cards,” and “100% copay” cards. They are offered directly to consumers or through employer, association, or other types of groups as a way to lower the cost of outpatient prescription drugs, especially for people who do not have prescription drug insurance coverage or who have inadequate coverage. An eligible person generally must sign up to enroll and may be required to pay enrollment fees. Upon enrolling, the person receives a card that may give them discounts on prescription drugs purchased from certain independent retail and chain pharmacies (and often from mail-order pharmacies as well). The range of discounts varies by card program, drug, quantity, geography, and by mode of purchase (retail, mail-order, or internet). The price resulting from any discount on a drug will also vary over time, since the prices of pharmaceuticals are changeable.

Who Sponsors Drug Discount Card Programs? Many different types of entities sponsor drug discount card programs. “Sponsorship” means that the entity offers the card program under its own name. Sometimes the sponsor is also the administrator of the program; more often, the sponsoring entity contracts with another entity to administer it. Among drug discount card

sponsors, pharmacy benefit managers (PBMs), insurance companies, and third party administrators (TPAs) are common. Some retail stores (including chain drug, discount department, and warehouse stores); associations, nonprofit organizations, and states also sponsor card programs. New to the drug discount card arena are cards sponsored by specific pharmaceutical manufacturing companies.

CHARACTERISTICS OF DISCOUNT CARD PROGRAMS

We surveyed by telephone fourteen private card programs (including one sponsored by a non-profit organization) and five state or state-affiliated programs from October through mid-November 2001. Persons interviewed ranged from company executives (and owners) to marketing representatives for the private-sector cards. We limited the scope of our survey to private-sector drug discount cards that are marketed directly to consumers and to state-based programs that are designed for the senior population. (Appendix 4 provides an overview of selected discount card programs not included in this survey.)

Characteristics of Private-Sector Discount Cards

In general, the private discount card programs surveyed:

- Are relatively new, with only 2 being in operation for as long as 10 years;
- Are open to all persons regardless of age or income. Only two are targeted to seniors;
- Are marketed nationwide via direct mail, print and broadcast media, the internet, or through independent agents and brokers;
- Charge an annual enrollment fee, with one exception;
- Offer discounts at participating network pharmacies including chain and independent retail outlets;
- Have mail-order pharmacy service, which generally offers deeper discounts on certain products;
- Do not have formularies, although four programs do maintain preferred medication lists and offer deeper discounts on the drugs on those lists;
- Quote discounts in a variety of ways, making price comparisons difficult;
- Generally derive discounts from concessions on the part of pharmacies rather than pharmaceutical manufacturers, although a few also derive some discount from manufacturer rebates; and
- Provide some degree of quality assurance and patient safety activities.

(Details of the private-sector programs surveyed are provided in Appendix 2.)

Characteristics of State-Based Discount Card Programs

Review of state discount card programs was limited to those that do not have an insurance coverage or subsidy component. Programs instituted under governmental auspices in five states met our criteria: California, Florida, Iowa, New Hampshire, and West Virginia.

In general, the state discount card programs surveyed have the following characteristics:

- All have been initiated within the last 2 years;
- All are targeted to the senior population;
- With one exception, there are no enrollment fees; and
- They vary in discounting methods and in the magnitude of the price reductions available to participants.

(Details of the state-based programs are provided in Appendix 3.)

SUMMARY AND OBSERVATIONS

This report confirms that a large and diverse number of opportunities exist for consumers to purchase prescription drugs at discounted prices. Discounts from “usual retail prices” can be obtained from retail pharmacies, mail-order services, and “virtual” pharmacies via the internet, often without enrolling in a discount card program. However, there are a large and growing number of private discount card programs that can be used to purchase drugs in many of these same outlets. These card programs vary significantly in terms of enrollment costs, program features, and the magnitude of prescription drug price discounts. Assessing the value of any discount card program for a consumer is complicated by the lack of comparable information. Indeed, drawing generalizations about the current array of card programs poses a difficult challenge.

Comparing or evaluating the different card program opportunities for drug discounts is especially difficult since there is no standard reference price or discounting method. The most favorable option for any individual will depend on a number of factors including the:

- number and type of medications needed;
- duration of the drug regimens;
- convenience and accessibility of the outlet;
- acceptability of mail-order services; and
- value of professional pharmacist counseling.

Thus, a single option is unlikely to be optimal for all consumers, and the best option for an individual will often change over time as their mix of drugs changes or as discounts from a given option increase or decline. In addition, because some card programs have fee structures that cover an entire household, while others charge lower fees for a single individual member, determining the best value must also take into consideration the number of individuals in a household who will benefit from the discounts.

Sponsors of discount card programs profit from these ventures in one or more ways. The most obvious sources of profits are enrollment fees (if any) and rebates from pharmaceutical manufacturers. While rebates flow to the card sponsor, there is considerable variation in the degree to which the rebates are passed through to the consumer in the form of lower prices.

A number of other factors can affect the profitability of card programs. These include:

- bundling drug discounts with discounts for other goods and services such as dental, vision, and alternative medicine services;
- promotion of mail-order pharmacy services to maximize the potential for manufacturer rebates; and
- contracting with other organizations that wish to market the card program under their own sponsorship.

Considerable tension exists between card sponsors and retail pharmacies. Discounts come primarily from pharmacy concessions on drug prices and dispensing fees. In addition, card programs offering mail-order services are often viewed negatively by pharmacies because such programs can reduce pharmacy sales for both prescriptions and other items carried in retail stores.

The only way a consumer can determine whether or not a particular card program will give them value is to obtain specific price quotes on the set of drugs they use. This may not be possible without considerable effort and time commitment. Comparison shopping among these options can be tedious and confusing. Typical problems encountered by consumers in assessing card options may include:

- non-comparable prices due to the lack of a standard method for describing discounts;
- pricing quotes limited to a subset of available drugs;
- discounts expressed as an average from undisclosed prices;
- frequent price changes;
- specific drug price availability only after enrollment in the card program;
- availability of mail-order prices only; and
- retail pharmacy discount prices available only from each store.

Nevertheless, for those consumers with limited or no insurance coverage for drugs and a need for maintenance drugs or high-cost drugs, some card programs appear to offer significant savings. Whether the overall savings are greater than could otherwise be obtained from some chain drugstores, discount department store pharmacies, internet pharmacies, or mail-order pharmacies cannot be determined from the data gathered for this study.

IMPLICATIONS FOR POLICYMAKERS

This paper reflects growing interest in discount card programs in part because of the Bush Administration's proposed Medicare-endorsed card program. It is not intended, however, to be an analysis or critique of the details of the Administration's proposal. The examination of drug discount cards currently available to consumers does, however, raise certain issues regarding the concept of discount cards that should be borne in mind by policymakers considering implementation of such a program:

1. Consideration must be given to the many unique challenges related to the characteristics of the targeted population. Many elderly individuals are not physically or mentally able to comparison shop or transport themselves to retail outlets that honor discounts. Likewise, seniors may not have computers or access to the internet, which makes providing comparative information on the programs, including drug prices, more of a challenge.
2. The success in obtaining discounts will depend on how the discounts are derived, whether from pharmacies, drug manufacturers, or a combination of these. The size and source of discounts will have practical and political implications for the success of any such program.
3. Consideration must be given to how a federally sponsored discount card program will relate to other discount programs operating in the market, including other publicly sponsored programs such as the state initiatives detailed in this report.
4. There are a number of issues for beneficiaries as well as card sponsors related to providing adequate, comprehensible, and accessible information to enrollees. Consideration should be given to standardization of terms, clarity of presentation, amount of information provided, timeliness, updating (drug prices may change frequently), and the means by which enrollees may access information (toll-free lines, internet, publications, etc.).
5. There is the potential for card programs to provide a variety of valuable quality assurance services, such as maintaining a centralized database that allows drug utilization review across all network pharmacies.
6. Deeper discounts for beneficiaries will depend on the ability of card sponsors to influence prescription drug utilization. Care must be taken to make sure that beneficiaries are not inappropriately steered to certain medications for financial rather than clinical reasons.
7. Any development of large databases with individually identifiable patient information must have adequate privacy protections.

It is widely documented that those Medicare beneficiaries with inadequate or no drug coverage are at an even greater disadvantage than those with coverage because they do not have access to discounted prices for their medications. Prescription drug discount cards have been identified as one way of bringing down the costs of drugs for these beneficiaries. Existing card programs vary widely in the cost of enrolling, potential for meaningful discounts, consumer information, and quality measures and the value of any card program will largely depend on a given consumer's drug regimen. Determining which card program, if any, is best for a particular consumer poses a significant challenge. This report identifies a number of issues that federal or state policymakers may want to consider in their assessment of discount drug card program options.

INTRODUCTION

Prescription drugs play an increasingly important role in maintaining and restoring good health for seniors. With certain exceptions, however, Medicare does not cover the costs of self-administered, outpatient prescription drugs. As a result, most beneficiaries obtain some form of public or private insurance to cover a portion of their prescription drug expenditures. More than one fourth of Medicare beneficiaries, however, have no protection at all and are fully liable for any outpatient prescription drug costs.¹ Many who do have coverage are facing increasing cost-sharing with caps on benefits as the rising cost of prescription drugs leads insurers to constrain benefits.

It is because of these coverage gaps that helping seniors pay for prescription drugs has become a major public policy issue, both in Washington and in the states. Much of the debate on Capitol Hill has been over options for establishing a new prescription drug insurance benefit for Medicare beneficiaries. However, as politicians struggle to achieve consensus on ways to provide and finance a new drug benefit, attention has turned to more short-term approaches to assisting seniors with the high costs of prescription drugs.

One such approach was outlined on July 12, 2001, when the Bush Administration announced a plan to make available to Medicare beneficiaries “Medicare-endorsed” prescription drug discount cards. Drug cards have existed in the private-sector for some time and have been explored by a few states. Nonetheless, they have never before attracted much attention in public policy circles. Now, many of questions are being asked about drug discount card programs in terms of how they are structured, where they are available, and the level of discounts they actually offer to their enrollees.

Organization of Report

This report provides information on prescription drug discount card programs that already exist in the private market or are being sponsored by states or by statewide nonprofit organizations. The purpose of the report is to provide a baseline of information that can help inform the policy debate about the advantages and disadvantages of promoting discount cards as an option for helping Medicare beneficiaries pay for prescription drugs. The report highlights issues of importance to consumers. What are the discount drug card options currently available and to whom are they offered? How do people sign up for the cards and how much do they cost? How are the cards marketed? Where can the cards be used? Are there restrictions on the types of drugs that can be purchased using the discount cards? How much do the card sponsors claim consumers will save by using their discount cards? How are these savings achieved? Can the different discount cards be compared to determine which provide the best value?

Not addressed by this report are discount card program issues that may be of importance to stakeholders other than consumers. For example, the report does not address the concerns of retail pharmacists or pharmaceutical manufacturers. In addition, no attempt is made to provide

¹This estimate is for 1998. Kaiser Family Foundation, *Medicare and Prescription Drugs*, May 2001. www.kff.org/content/2001/1583-03/1583_03rx.pdf

an evaluation of the various card programs in terms of the actual savings that they can provide for cardholders.²

The main focus of the report is on the availability and features of prescription drug discount cards for the Medicare population, primarily seniors 65 and older, although information was sought with respect to the availability of the cards for the Medicare disabled population as well. (We found, however, that most of the private-sector cards are available to anyone, regardless of age, health, or insurance status, while the state programs are more likely to be restricted to retirees or Medicare beneficiaries).

The report begins with a general overview of prescription drug discount card programs. What is a discount card? What purposes do they serve? Who are the different sponsors of discount card programs and why do they sponsor them? Because the drug discount card issue has been framed for most by the Bush Administration's proposal, the overview also includes a brief discussion of that proposal and its current status. It is important to emphasize, however, that the programs that exist today are different than the discount card programs that are envisioned under the Bush Administration's proposal. The Administration's proposal requires discount drug card programs to meet certain requirements that none of the existing card programs could meet without some redesign. This report examines current discount card programs, but does not purport to assess the discount card plan proposed by the Bush Administration.

Following the overview, the report describes the characteristics of surveyed private-sector and state-based discount card programs. Spokesmen for 14 private-sector and 5 state card programs were interviewed. The private-sector programs are described first, followed by a discussion of the state-based programs. The attached Appendices provide information on the main features of the different card programs. Tables are also included, illustrating pricing information that is obtainable from the websites of the private-sector card programs that we surveyed. (Appendix 4 provides an overview of selected discount card programs not included in this survey.)

The report concludes with some final observations on current discount card programs and issues that such programs raise with respect to proposals to establish a Medicare-endorsed discount card or similar program. Appendix 1 provides details of the Bush proposal as outlined in the application form issued in August 2001, for discount card sponsors interested in obtaining a Medicare endorsement. Appendix 4 provides limited information on a number of private-sector discount card programs that were identified but not surveyed for this report.

²For an evaluation of savings offered by prescription drug discount card programs, see: U.S. General Accounting Office, *Prescription Drugs: Prices Available Through Discount Cards and From Other Sources*, December 5, 2001, GAO-02-280R. See, also U.S. House. Committee on Government Reform, *Problems with Prescription Drug Cards*. Minority Staff, Special Investigations Division, July 12, 2001; and Sullivan, Sean D. and David H. Kreling, *An Analysis of Washington State Alliance to Reduce Prescription Drug Spending: The "AWARDS" Program*, prepared for the Coalition for Affordable Prescriptions for Seniors, April 15, 2001.

OVERVIEW

Anyone who reads magazines, watches late-night television, or receives a lot of unsolicited mail is likely to have seen an advertisement for a prescription drug discount card. Little has been written, however, about how discount cards work, how they vary, who sponsors them, and how they are priced.³

The current drug discount card market is, in fact, rather complex. There are lots of card programs, with varying features, and offering varying value to the consumer. This section provides basic information on the drug discount card programs currently in operation.

What is a Prescription Drug Discount Card?

Prescription drug discount cards are also known as “consumer cards,” “point of sale cards,” and “100% copay” cards. They are offered directly to consumers or through employer, association, or other types of groups as a way to lower the cost of outpatient prescription drugs, especially for people who do not have prescription drug insurance coverage or who have inadequate coverage. Except in the few states where they must register as insurance programs,⁴ discount card programs are not considered insurance and, in fact, some states require that they explicitly disclose that fact in marketing materials.

An eligible person generally must sign up to enroll in a drug discount card program. (In some state programs, enrollment is automatic.) Enrollment may require a one-time only fee, an annual fee, or a monthly fee. Some card programs are offered for free—no enrollment or membership fee is charged. Upon enrolling, the person receives a card that may give them discounts on prescription drugs purchased from certain independent retail and chain pharmacies (and often from mail-order pharmacies as well) from what they would otherwise pay if they did not have such a card. The range of discounts varies by card program, drug, quantity, geography, and by mode of purchase (retail, mail-order, or internet). The price resulting from any discount on a drug will also vary over time, since the prices of pharmaceuticals may fluctuate. Discount card programs are also often bundled with discounts on other products and services.

Why Do Seniors Enroll in Drug Discount Card Programs?

About 75% of Medicare beneficiaries have some outpatient prescription drug coverage through their former employer, Medigap, Medicaid, or through coverage under a Medicare+Choice plan. Beneficiaries with drug coverage benefit in two ways from that coverage. Some percentage of the cost of their drugs is paid by the insurer. In addition, the price that is paid for the drug is generally lower than that paid by the uncovered individual, in part because the insurer benefits from negotiated discounts with pharmacies and pharmaceutical manufacturers. Often insured

³In addition to the General Accounting Office’s study and the other studies cited above, see: Mohl, Bruce, It’s Not Always in the Cards. Bargain Outlets Often Offer Better Drug Prices than Discount Programs, *Boston Globe*, December 7, 2001; Chris Mooney, Drug Bust, *The American Prospect*, August 27, 2001; and the Pharmaceutical Care Management Association, *Prescription Drug Discount Cards Will Save Seniors Dollars*, News Release, July 31, 2001, www.pcmnet.org/homea.html.

⁴In an effort to regulate discount card programs, California and Washington have enacted laws requiring drug discount card companies to register as insurance companies. Mohl, Bruce, December 7, 2001.

beneficiaries can still obtain the discounted price even if they have exceeded the insurance benefit cap (i.e., “maxed out” on their benefit). In contrast, beneficiaries who are uninsured for prescription drugs and who walk into their local pharmacy may be charged the full retail price for the prescription, which will generally be somewhat or very much higher than the price paid by those with insurance.⁵

Drug discount cards are largely designed for and marketed to Medicare beneficiaries who do not have prescription drug coverage and pay full retail prices for their prescriptions. As will be described, however, most private-sector cards are available to anyone, regardless of age, who wants to enroll and is willing to pay the required fees, if any.

Who Sponsors Drug Discount Card Programs

Many different types of entities sponsor drug discount card programs. In this context, “sponsorship” means that the entity offers the card program under its own name. Sometimes the sponsor is also the administrator of the program; more often, the sponsoring entity contracts with another entity to administer it. Among drug discount card sponsors, pharmacy benefit managers (PBMs), insurance companies, and third party administrators (TPAs)⁶ are common. Some retail stores (including chain drug, discount department, and warehouse stores), associations, nonprofit organizations, and states also sponsor card programs. New to the drug discount card arena are cards sponsored by specific pharmaceutical manufacturing companies. PBMs and TPAs are also the major administrators of drug card programs.

Sponsors of discount cards have any number of reasons for offering them. For PBMs, insurance companies, and TPAs, card programs are operated as a line of business. These organizations either contract to administer some other sponsor’s card (an employer or insurer, for example), or they market their own cards directly to consumers, or both. Profits may result from enrollment and monthly fees but probably more significantly from rebates from manufacturers of brand-name pharmaceuticals based on their capacity to increase a manufacturer’s market share for its products. For many PBMs, discount cards also help increase business for their internet and mail-order pharmacies.

Direct-to-Consumer Cards. Some sponsors market drug discount card programs directly to consumers, without any kind of middleman or intermediary. Private-sector drug discount cards are typically marketed direct to the consumer through the internet, direct mail solicitations, the media, or magazine flyers. In some cases, they are marketed by insurance agents or brokers.

Some retail stores, such as chain pharmacies and discount stores that have their own pharmacies, sponsor card programs that market directly to consumers to attract customers (for drugs as well as other products) and to retain customer loyalty. A K-Mart discount card, for example, is offered free of charge and can be used only at K-Mart pharmacies.⁷ On the other hand, many of

⁵Some pharmacies offer “senior discounts” to Medicare beneficiaries.

⁶These are entities that help to or fully administer insurance and other benefit programs for employers, unions, and other groups. They typically handle enrollment, maintain records, and process claims.

⁷The card is marketed by the AmeriKind Pharmacy Network. See www.freeprescriptioncard.com.

the big discount stores, such as Costco, and many chain pharmacies and chain groceries, participate in the pharmacy networks of many different discount card programs. The best prices offered by some of these retail stores may be less expensive than the prices available using the discount cards. (Typically in these circumstances, the customer gets the lower of the pharmacy's price or the price available using the discount card.)

Some states are experimenting with discount drug cards as a way to help seniors (and in a few states, younger retirees) that have no or inadequate prescription drug coverage afford their medications. In at least one state, Iowa, the entity sponsoring the program is a statewide nonprofit coalition. In some states, the discount card is the only state-sponsored public program (other than Medicaid) helping seniors buy medications; in others, the discount card is offered to seniors who do not qualify for either Medicaid or a means-tested, state-subsidized pharmaceutical assistance program. State-based programs generally provide for automatic enrollment of eligible populations or engage in various forms of outreach to advertise the availability of the program. Such outreach may involve, for example, distributing enrollment forms to pharmacies, physician offices, and senior centers.

The Group Market for Discount Cards. Many drug discount card sponsors offer their programs through intermediaries such as employers, associations, or financial institutions. Such intermediaries provide an aggregating function: they pool individuals into larger groups and allow the groups to take advantage of economies of scale, such as the costs of marketing and enrollment. In the case of drug discount cards, intermediaries will typically contract with a PBM or other entity that administers card programs to offer a card program to their employees or members.

Employers offer drug discount cards to their employees (often at no cost to the employee) either because the employer's plan does not include prescription drug insurance or to supplement drug insurance with tight benefit limits. Similarly, health insurers will sometimes provide discount drug cards (often for no additional premium) to enrollees in their health insurance plans for the same reason—to help reduce drug costs for enrollees who do not have prescription drug coverage or who have limited drug insurance. Financial institutions, such as banks and credit card companies, offer drug discount cards as a means of attracting and retaining customers.

Membership-based organizations, such as AARP and trade or other types of associations, will sponsor drug discount cards as a means of attracting and retaining members. Typically, the organization's name will be on the card but most card operations will be handled by a PBM or TPA. There are drug discount card programs offered by such diverse associations as farm workers, square dancers, disease groups (e.g., the American Kidney Foundation), and at least one state chapter of the American Automobile Association. Often drug discounts are offered along with discounts on any number of other health services such as vision and dental care, and sometimes "alternative medicine" providers such as herbal and aroma therapists.

Medicare Supplemental Insurance (i.e., Medigap) and Drug Discount Cards. A major intermediary of drug discount cards is the different Medigap carriers, some of which offer cards in conjunction with their Medigap policies to help enrollees pay for their prescription drugs.⁸ For example, Trigon, the Blue Cross Blue Shield plan of Virginia, offers their Medigap enrollees a

⁸ Of the ten standardized Medigap policies, only three (H, I, and J) include limited coverage of prescription drugs.

drug discount card that is administered by Scriptsave, a PBM. AARP members who are insured participants in AARP's "Health Care Options," its Medigap insurance offering, are enrolled in a separate discount drug plan, administered by UnitedHealthcare and Express Scripts. These card programs work the same way as the other cards featured in this report, although the Medigap enrollee may not have to pay an additional fee for the discount card.

Discount Cards and Medicare+Choice Plans. Some Medicare+Choice plans reportedly offer drug discount cards as a "value added" service to their enrollees. However, because discount cards are not considered insurance benefits, they are not included in the information provided by the government on M+C plan offerings.⁹

Drug Company Cards. Three drug manufacturers have recently announced that they are establishing drug discount card programs. On October 3, 2001, GlaxoSmithKline announced the creation of the "Orange Card" discount drug program. Aged and disabled Medicare beneficiaries with incomes at or below 300% of the federal poverty level (\$26,000 for an individual; \$35,000 for a family) and who lack prescription drug coverage will be eligible to obtain an "Orange Card" free of charge. Enrollees will be able to use the Orange Card to purchase at participating retail pharmacies all prescription drugs made by GlaxoSmithKline at discounted prices. According to the company's announcement, enrollees who do not have any prescription drug coverage will receive discounts in the range of 30% to 40% relative to what they would otherwise pay.¹⁰

A similar program was announced November 7, 2001, by Novartis Pharmaceuticals Corporation. Its program, Novartis CareCard, will begin in January 2002. Individuals will qualify if they are 65 or over, have an annual income of less than 300% of the federal poverty level, and lack prescription drug coverage. Cardholders will receive discounts on all outpatient prescription drugs made by Novartis when purchased at participating pharmacies. According to Novartis, enrollees will receive discounts in the range of 30% to 40% off retail prices.¹¹

The most recent pharmaceutical manufacturer discount card program was launched on January 15, 2002, by Pfizer. Pfizer's "Share Card" is available to individuals ages 65 and older (or Medicare disabled) with incomes below \$18,000 (\$24,000 for a couple) who have no other outpatient prescription drug coverage. There is no enrollment or membership fee. Card holders pay \$15 for each 30-day prescription for a Pfizer drug. Drugs must be purchased at participating pharmacies.¹²

Drug Discount Cards Versus Internet Pharmacies. It is important to distinguish between drug discount card programs and internet pharmacies that offer discounts on prescription drugs but may not sponsor discount card programs. Anyone with internet capabilities can access the website of one of these "virtual pharmacies" and obtain prescriptions at what are advertised as discounted prices.¹³ Generally, the consumer using such sites has to be willing to wait one or

⁹ Personal communication with a staff member of the American Association of Health Plans, December 2001.

¹⁰ GlaxoSmithKline Press Release, <http://corp.gsk.com/media/archive.htm#oct01>.

¹¹ Novartis Press Release, <http://dominoext.novartis.com>.

¹² The Pfizer for Living Share Card Program—Fact Sheet www.pfizer.com/pfizerinc/about/sharecard/factsheet.html.

¹³ Internet pharmacies include Drugstore.Com, Phar-Mor Drugstore (pharmor.com), Web Rx (webrx.com), Express Pharmacy Services/Eckerd (Eckerd.com) and many others.

more days for delivery. However, at least one major internet pharmacy allows the customer to pick up the prescription at a chain pharmacy with which it is associated.

The Bush Administration's Initiative

On July 12, 2001, President Bush announced an initiative intended to address the issue of affordability of prescription drugs for Medicare beneficiaries on an interim basis while Congress debated whether and how to add an outpatient prescription drug benefit to the Medicare program. The Administration proposed that the Medicare program endorse privately sponsored prescription drug discount card programs that meet certain federally specified criteria. The intent of the Medicare endorsement would be to increase the market leverage of the discount card program sponsors and result in significant retail discounts and/or manufacturer rebates that would mean lower prices for Medicare beneficiaries. The Centers for Medicare and Medicaid Services (CMS) would include information on the Medicare-endorsed card programs along with other Medicare information provided to beneficiaries.

The Administration proposed to go forward with its plan for the Medicare discount card endorsements within its existing legal authority and without any additional authorizing legislation or regulations. However, implementation of the program is being challenged in the courts.¹⁴ Appendix 1 describes the features of the discount card program as originally announced by the Bush Administration in August 2001.

¹⁴A federal court injunction prohibiting CMS from proceeding with program implementation was announced on September 6, 2001, as a result of a lawsuit brought against the agency by the National Association of Chain Drug Stores and the National Community Pharmacists Association. The plaintiffs argued that HHS and CMS: (1) established the program without legal authority, (2) violated the notice and comment requirements of the Administrative Procedures Act in establishing the program; (3) adopted regulatory standards that were arbitrary, capricious, and an abuse of discretion; (4) failed to comply with the requirements of the Federal Advisory Committee Act; and (5) had unlawfully delegated regulatory authority under the card program to a group of private, self-interested card issuers. *National Association of Chain Drug Stores, et al., v. Tommy G. Thompson, et al.* United States District Court for the District of Columbia, September 6, 2001. On November 5, the federal district court judge who issued the injunction stayed the legal proceedings, allowing the agency to move forward with proposed rulemaking that would give the public an opportunity to comment. On December 14, the judge ruled that the pharmacies could proceed with their lawsuit challenging the legality of the proposal as soon as the proposed rule is published. As of this writing, the proposed rule has not yet been published.

CHARACTERISTICS OF DISCOUNT CARD PROGRAMS

To better understand how discount card programs operate in the existing market, we initiated a survey of card programs. Since there is no ready-made inventory of such programs, we began by trying to identify the universe of programs, largely through a search of the internet. This yielded a long list of possibilities, some of which turned out to market only through intermediaries. A few were no longer in operation. As our study progressed, we discovered additional programs, mostly as a result of repeated internet searches. Although we clearly did not come up with an exhaustive list of discount drug card programs, we are confident that we identified the most widely marketed of them.

We selected fourteen private card programs (including one sponsored by a non-profit organization) and five state or state-affiliated programs for telephone interviews. We interviewed people ranging from company executives (and owners) to marketing representatives for the private-sector cards. We also spoke to a person connected with each of the operational statewide programs, and reviewed information on one that is no longer operating (Washington state). The interviews were conducted over the telephone from October 2001 through mid-November 2001, using a standardized set of questions. In some cases, we spoke with representatives of both the card sponsor and the PBM or other entity administering the program.

We limited the scope of our surveys to private-sector drug discount cards that are marketed directly to consumers and to state-based programs that are designed for the Medicare population. We also included two card programs that are marketed through membership associations. We did

Surveyed Discount Card Programs

Private Direct-to-Consumer Cards

Advance-PCS Prescription Plan	Peoples Prescription Plan
Citizens Health Card	Pharmacy Card
CVS Health Savings Pass (Basic)	ProCare ValuCard
EHO Prescription Drug Card	PSG/RxUniverse Prescription Discount Card
MagnaCard	Qdrug
Member Choice	SaveWell
MHRx	YOURxPLAN

State-Based Discount Card Programs

California: Prescription Drug Discount Program for Medicare Recipients
Florida: Prescription Affordability Act for Seniors
Iowa: Priority Prescription Savings Program
New Hampshire: Senior Prescription Drug Discount Pilot Program
West Virginia: Golden Mountaineer Discount Card

not include card programs marketed through such intermediaries as employers or Medigap insurers. In addition, we did not include the two programs sponsored by pharmaceutical manufacturers because they were not yet operational, are means-tested, and are limited to the specific manufacturers' drugs.

The results of the survey are reported first for private-sector discount cards and then for state programs. (The attached Appendices provide detailed information about the characteristics of the programs surveyed.)

Characteristics of Private-Sector Discount Cards

Information obtained for each of the drug discount programs surveyed is displayed in Appendix 2.

Experience. The fourteen private prescription drug discount programs surveyed have all been in operation for a decade or less. AARP Member Choice and PSG/RxUniverse have both been available for about 10 years. Peoples Prescription Plan and the EHO Prescription Drug Card have a history of operation of around 7 years. Seven of the remaining programs surveyed are all relatively new, with about 2 to 5 years in operation (at least in their current form). Three programs are brand new. The Citizens Health program became operational in September 2001 and the CVS program was launched in October of 2001. Advance-PCS, one of the largest PBMs in the U.S. that contracts to administer card programs for other sponsors, launched a new discount card program of its own in November 2001. It is being marketed as the Advance-PCS Prescription Plan.

It is difficult to tell how many people have enrolled in these discount card programs. With few exceptions, we were unable to obtain information on the number of enrollees in each plan because it was either unavailable or considered proprietary information. Of those for which information was provided, most seemed to have fewer than 100,000 members. Because there are no limitations on the number of discount card programs an individual can join, it is likely that some degree of overlap in enrollment exists among card programs.

Eligibility, Marketing, and Enrollment Process. Most of the private discount card programs surveyed are available to any individual and/or family regardless of age or income. Only two of the card programs surveyed were targeted to seniors. The new program being launched by the CVS drug store chain is only available to individuals over 50 years of age. AARP Member Choice is available only to AARP members, and one must be 50 to join AARP.

Most of the cards surveyed are marketed nationwide, although in a few instances cards were not available in certain states for reasons that mostly relate to regulatory compliance issues. For example, the EHO Prescription Drug Card is not available in Arkansas and Peoples Prescription Plan cannot be purchased in Alabama.¹⁵ The CVS card can be used only at CVS pharmacies so, therefore, marketing is limited to areas where the chain is present (generally east of the Mississippi River).

¹⁵Pharmacies in Alabama may honor the Peoples discount card for cardholders from other states.

Private-sector card programs are marketed in various ways including direct mail, independent brokers, and print and broadcast media. Enrollment can generally be accomplished through the internet, mail, or toll-free telephone. Some cards can be purchased at a participating retail pharmacy with immediate application of the discount. Several of the cards surveyed also market through the use of agents or brokers on a commission basis. Some of the card programs offer to let others market their card. For example, Qdrug offers on their website to set up a web page to allow others to market the Qdrug card for payment of a \$29.95 set-up fee and a \$9.95 monthly hosting fee. Those taking advantage of the opportunity then get to keep 50% of the enrollment fee for each card they sell.

Enrollment Fees. All of the private programs surveyed charge a fee for participation except for the newly introduced Advance-PCS Prescription Plan. About half have individual and family fee structures. The rest charge a single fee per family or household. While most charge an annual fee for participation, the more costly plans charge on a monthly basis, and, in the case of the new CVS program, participants have a choice between paying a monthly fee or a discounted annual fee.

It is difficult to compare fees among the programs because many of them offer services in addition to prescription drug discounts, such as discounts on vision, dental, hearing, chiropractic, alternative medicine, etc. Some programs offer several different card options with variations in the basket of services for which discounts are available. For example, ProCare offers the ValuCard that includes discounts on prescription drugs as well as vision and hearing for \$5.95 a month per family. They also offer the ProCare Benefit Card that includes, in addition to the ValuCard benefits, discounts on dental, medical, chiropractic, travel, counseling, cosmetic surgery, vitamins, long distance, legal services and more. The ProCare Benefit Card costs \$15.95 per month per family. ProCare also requires, for either the ValuCard or the ProCare Benefit Card, a one-time enrollment fee of \$5.00 plus a one-time charge of \$2.50 for each additional card provided to a family. It is the only program surveyed that required such initial one-time fees.

It is apparent that for some discount card program sponsors, their profits come largely from the enrollment fees. Some card sponsors such as ProCare do not collect data on the use of their cards from pharmacies so manufacturer rebates are not possible. For others, the fee is secondary to money made on manufacturer rebates. For example, one respondent indicated that while they charge an annual fee, they do not charge individuals over age 65 because the volume of drugs purchased by seniors is sufficient for them to profit off of the rebates alone. Another indicated that his company plans to introduce a new drug discount card targeted to seniors for \$6 or \$7 a year. He said that they could still make a sufficient profit given manufacturer rebates and low administrative overhead.

Access to Discounted Drug Prices. In general, individuals can obtain card discounts at participating retail pharmacies or through participating mail-order pharmacies. For some programs, greater discounts may be available for certain brand-name products included on a preferred medication list. All of the discount card programs in this report offer participants discounts on drugs at “participating” or “network” retail pharmacies. These are pharmacies that have agreed to the terms and conditions of the card sponsor or are already members of a pharmacy network established by a PBM or other entity. Most PBMs require participating pharmacies to serve all of their clients—insured groups and individuals as well as enrollees in

discount cards marketed directly to individuals. In general, the number of participating pharmacies in these card programs ranges from about 35,000 to 55,000 nationwide.¹⁶ However, two card programs—Citizens Health Card and CVS Health Savings Pass—have more limited pharmacy networks because the former is only available in three states (currently about 1,000 pharmacies participating) and the latter is limited to CVS retail outlets (about 4,000 stores in the eastern U.S.).

All of the discount card programs with a nationwide retail network include both chain drug stores and independents. In addition, most cards may also be used at pharmacies located in grocery stores and discount retailers such as K-Mart and Costco. Given the number of network pharmacies reported by the various card programs, it is apparent that most retail outlets participate in one or more card programs.

Two discount card programs do not inform individuals about the location of all participating pharmacies before they enroll in the program. Internet access to a listing of participating pharmacies for Rx Universe and SaveWell is restricted to individuals who are cardholders. The other card programs surveyed in this report either provide a locator feature at their website or will mail a listing of network pharmacies to interested individuals upon request. Most programs also list at their website the names of chain drug stores and other retail outlets that are included in the card network.

Another important variable that affects access to discounted prices is whether the program offers a mail-order pharmacy service. Mail-order pharmacies can be advantageous especially for seniors because they offer shopping convenience with home delivery and, with their manufacturers' rebates and generally lower operating costs, may offer deeper discounts than retail outlets on larger quantities (e.g., 90-day supplies) of some maintenance drugs. Of the 14 card programs surveyed, only 3 do not offer access to a mail-order pharmacy service—EHO Prescription Drug Card, Pharmacy Card, and CVS Health Savings Pass. A spokesperson for EHO Prescription Drug Card expressed the view that while mail-order pharmacies may offer deeper discounts on selected brand-name products, these are offset by generally higher prices on generics. In addition, the EHO Prescription Drug Card sponsor believes it has been able to obtain the participation of more independent pharmacies, in part, because it does not offer a competing mail-order service, according to a company spokesperson.

Finally, access to deeper discounts on certain brand-name drugs may be offered to cardholders through the use of preferred medication lists, which are a type of drug formulary. These lists identify specific drugs within a therapeutic class for which the card sponsor has negotiated a larger manufacturer rebate, usually in exchange for being placed on the program's preferred list. Thus, the manufacturer is providing a better price in exchange for anticipated greater sales volume for the product. It is the application of such a market mechanism that is most likely to result in deeper discounts on certain products than discounts obtained solely from negotiations with pharmacy networks.

Most of the card programs surveyed provide discounted prices on all FDA-approved drugs and did not maintain a preferred list. In four cases, however—YOURxPLAN, EHO Prescription

¹⁶ According to the Pharmacy Care Management Association, there are about 57,500 retail pharmacies in the United States.

Drug Card, MagnaCard, and MHRx—preferred medication lists are used. Other products in the same therapeutic class as the preferred brand-name generally have smaller discounts. In the case of MagnaCard, no discount is applied to the purchase price of a non-preferred brand-name drug if there is a preferred drug in the same therapeutic class, a policy that may also be the result of rebate agreements.

Basis for Discounts and Availability of Prices. Drug card programs use several different benchmarks or reference prices to express the magnitude of the discounts available to cardholders. There is no uniform price from which discounts are taken, and no common data source for the benchmark prices. We found a wide range of reference prices including usual retail prices, average wholesale prices (AWP), and maximum allowable cost (MAC) price schedules.

Components of Drug Costs: To facilitate an understanding of the different approaches to expressing card discounts, it may be useful first to focus on the key components of drug pricing. First, drug manufacturers establish prices for their products. These price lists—known as average manufacturer prices (AMPs)—generally reflect the price charged to drug wholesalers or distributors and in some cases to large direct purchasers. Of course, while the AMP reflects what manufacturers can be expected to charge, the actual price for a given distributor or purchaser, taking into account volume and promotional policies, may be less.

The suggested wholesale price for wholesalers selling to retailers is reflected in several price lists known as average wholesale price (AWP). While these price lists are widely available and serve as the basis for Medicare payments as well as payments made by many State Medicaid programs, considerable evidence suggests that the actual acquisition cost of drugs by retailers and other purchasers is often significantly less. The difference between actual acquisition prices and AWP permits markups that in some cases result in retail prices that are less than the AWP for a given product. Recently, there has been concern about using AWP as a basis for payment because of the often significant differences between AWP and what the drugs are actually being sold for.

A third factor affecting the cost of drugs at retail is the pharmacy mark-up and its charge for dispensing a medication. Data on retail mark-ups is not readily or consistently available. Dispensing fees are also quite variable and may range from as little as \$1.50 per prescription to \$4 or \$5. However, it is clear from interviews with representatives of the drug card programs that most of the consumer discount is the result of concessions on the pharmacy mark-up and dispensing fees and not related to manufacturer rebates. These price concessions are the product of negotiations directly between the participating pharmacies and the card program or flow from network agreements between pharmacies and PBMs.

Finally, card discounts may also reflect some or all of the value of manufacturer rebates. These rebates are reductions of the manufacturer's price that are given in return for the promotion and sale of a brand-name product by a card program or a PBM. As noted earlier, brand-name drugs may be promoted by being placed on a "preferred medication list" distributed by the card program or PBM. These rebates may be used to further reduce prices at retail (in addition to price concessions by pharmacies). However, our survey revealed that most card programs and PBMs retain some or all of the rebates and do not fully pass them on to consumers in the form of lower prices.

Basis for Discount Claims: As noted above, the discount card programs surveyed for this report varied significantly in how they derive their stated discounts. The majority of programs stated that cardholders could expect to receive discounts as high as a specific percentage (e.g., “as high as 90%”) or that the average discounts on drug purchases would fall in a range between two fixed percentages (e.g., “between 20% and 40%”). These percentages were most often applied to what was described as “usual or customary prices of drugs at retail.” The methods and sources of data for determining average or customary retail drug prices are not disclosed by the card programs. Thus, it is not possible to determine whether they rely on a uniform approach to reporting these benchmark prices.

In other cases, such as, for example, YOURxPLAN, PSG/RxUniverse, and Member Choice, discounts are expressed as reductions from AWP. There are two primary sources for AWP data—the Medical Economics Company and First Data Bank. However, as noted earlier, manufacturers are free to set an AWP at any level regardless of the actual price paid by a purchaser. While AWP also include a mark-up factor to reflect the costs of wholesalers, the price of a drug at retail may often be below the AWP and still provide an adequate mark-up to cover overhead costs and profits.

In the case of some generic drugs, prices may be reported under a Maximum Allowable Cost (MAC) methodology. Since there is considerable variation in the prices charged by various manufacturers of a specific generic drug, some PBMs have set reimbursement ceilings based on an average or a set percentile of prices charged for a generic product. These pricing schedules are known as MACs and their use with insured drug benefits in combination with generic substitution policies can result in significant overall drug savings. For discount drug cards, the MAC reference is to the program or PBM generic price schedule or in some cases to the MAC maintained by a state Medicaid program. For example, the Citizens Health Card claims discounts of 50% to 60% below MAC prices on generic drugs.

There are also differences in the magnitude of card discounts between purchases made at retail outlets and from mail-order pharmacies. Generally, mail-order pharmacy discounts are larger than those realized at retail, at least for brand drugs. However, in some cases there are additional charges for shipping, especially if the customer requests overnight or accelerated delivery. Mail-order pharmacies have lower operating costs, often dispense larger supplies of maintenance drugs, and often have negotiated manufacturer rebates that enable them to offer deeper discounts on brand drugs.

Magnitude of Discount Card Savings: Overall, the surveyed card programs claimed larger discounts for generic drugs compared to brand-name products. For example, the MagnaCard program estimated that generic discounts “could be as high as 60% to 70%,” while preferred brand discounts average about 28% as compared to average retail prices. In programs with preferred medication lists, brand discounts include manufacturer rebates that in some cases are reflected in the cardholder’s price and reimbursed by the card program to a participating pharmacy. The Pharmacy Card, which is administered by Advance-PCS, cites a range of discounts at the retail pharmacy of up to 90% on a few generics and as low as 10% on some brand-names with an overall average discount of 21%, compared to retail prices.

Several discount card programs, including YOURxPLAN and EHO Prescription Drug Card, pay a portion of the manufacturers’ rebates for some brand-name drugs directly to the cardholder in

the form of periodic cash payments (e.g., quarterly or annually). These payments are based on the purchase of the preferred drugs for which the program has negotiated a rebate.

Other card programs provide pricing information only for their mail-order pharmacy since prices at participating retail outlets may vary. These plans negotiate a “maximum” price for drugs with participating pharmacies but allow them to charge less if they choose to do so. For example, Peoples Prescription Plan guarantees that card holders will receive the lower of the participating pharmacy’s retail price or the negotiated price. This means that the actual price at retail can only be obtained directly from a pharmacy in the program’s network, and the price could vary from store to store and over time.

Finally, the Citizens Health Card program reports that their discounts reflect negotiated reductions at retail through their network of participating pharmacies plus manufacturers’ rebates on selected brand-names that are fully passed through to the cardholder at the point of sale. Two companies—GlaxoSmithKline and Bristol-Myers Squibb—are the first manufacturers to execute rebate agreements for their products with Citizens Health Card.

Availability of Pricing Data: In general, individuals do not have to enroll in discount card programs in order to obtain price quotes on specific drugs via the internet. The exceptions to this rule in this survey are Qdrug and EHO Prescription Drug Card where differences across participating pharmacies do not make it possible to quote specific retail prices. Where price information is available, programs vary in the ease of access to that information. For the CVS Health Savings Pass program, for example, actual discounted price quotes are only available directly from CVS stores. PSG/RxUniverse Prescription Discount Card and People’s Prescription Plan provide price quotes only for their mail-order pharmacy. Three other card programs—Pharmacy Card, ProCare, and Peoples Prescription Plan—provide only illustrations of the magnitude of discounts rather than specific prices. Both Pharmacy Card and ProCare ValuCard do offer price quotes on specific drugs upon request on the internet or via a toll-free number.

Tables 1 and 2 provide snapshots of prices for specific prescription drugs that are frequently purchased by Medicare beneficiaries as reported by the discount card programs discussed in this report. The tables are included to illustrate the variability in pricing information made available by the surveyed prescription drug discount card programs. Both tables show the drug by name, dosage, and therapeutic class. The surveyed card programs that list their prices on-line are shown, along with their annual membership or enrollment fees. Table 1 provides prices for purchases made from a participating retail pharmacy using the various discount cards. Table 2 provides the prices for purchases made from a mail-order/internet pharmacy of the various card programs.

Included for purposes of comparison on Table 2 are prices for DrugStore.Com, an internet pharmacy that does not require enrollment (or the payment of an enrollment fee) and also Northern Drugstore.com that is used as the mail-order service for at least one card program (the American Benefits Association). Northern Drugstore.com is a Canadian based internet pharmacy that offers significant discounts. It is available through membership in the American Benefits Association discount card program or through other pharmaceutical programs with which it participates.

Table I**Retail Prices for Discount Card Programs for Selected Prescription Drugs (90 units unless otherwise indicated)**

Program		YOURx Plan	SaveWell	Pharmacy Card ¹	People ²	Member Choice (AARP)	Member Health ³
Annual membership/enrollment fee		\$25—single \$40—family	\$84 per family member	\$48—single \$60—family \$0—seniors (not advertised)	\$71.40 per family	\$15—single \$30—single + spouse \$10—family	\$10—family
Drug/Brand or generic	Therapeutic class						
Celebrex 200 mg Brand	Anti-inflammatory/Analgesia	\$201.58	\$67.69 (30 units)	Retail price minus 19%	Average discount of \$10.42	\$192.54	Not listed
Furosemide 40 mg tab Generic	Loop diuretic	\$8.89	\$3.91 (30 units)	Retail price minus 57%	Average discount of \$3.24	\$7.00	\$7.46
K-Dur 20 20 mg Brand	Potassium replacement	\$42.10 ⁴	\$16.67 (30 units)	Retail price minus 26%	Average discount of \$4.86	\$43.01	\$50.00 (100 units)
Lanoxin Tablet 0.25 mg Generic	Cardiac glycoside	\$12.65	\$7.14 (30 units)	Not listed	Average discount of \$1.74	\$9.95	\$8.15 (30 units)
Norvasc 10 mg Brand	Calcium channel blocker	\$157.01 ⁴	\$53.75 (30 units)	Retail price minus 21%	Average discount of \$7.26	\$166.34	\$60.25 (30 units)
Premarin .0625 mg Brand	Estrogen replacement	\$62.07	\$21.71 (30 units)	Retail price minus 26%	Average discount of \$3.54	\$53.31	\$21.08 (30 units)
Prilosec 20 mg Brand	Gastrointestinal agent	\$308.58 ⁴	\$114.25 (30 units)	Retail price minus 4%	Average discount of \$12.58	\$329.01	\$115.75 (30 units)
Synthroid 0.1 Mg Brand	Synthetic thyroid	\$33.43	\$12.28 (30 units)	Retail price minus 33%	Average discount of \$2.98	\$30.12	Not listed
Zocor 20 mg Brand	Lipid lowering agent	\$331.98	\$110.66 (30 units)	Retail price minus 16%	Average discount of \$11.58	\$318.49	\$114.91 (30 units)
Fosamax 10 mg Brand	Osteoporosis treatment	\$166.88	\$62.36 (30 units)	Retail price minus 24%	Average discount of \$9.11	\$176.93	\$63.87 (30 units)

SOURCE: Company Internet websites. Note that prices change frequently. These prices were quoted in mid-November.

NOTE: Drug prices/discounts for the following programs were not available online: CVS, Qdrug, ProCare ValuCard, MagnaCard, EHO, PSG/RxUniverse, Advance-PCS, and Citizens Health. Annual membership/enrollment fees for these programs were as follows: CVS, \$69.95—2 person household; Qdrug, \$49.95—single or \$99—family; ProCare ValuCard, \$71.40—single or family (plus one time sign up fee); MagnaCard, \$25—single or family (\$10 if ordered from MemberHealth); EHO, \$39.95—single or family; PSG/RxUniverse, \$19.99—single or \$39.99 family (\$4 discount via internet); Advance-PCS, no fee to enroll; and Citizens Health, \$12—single or \$28—family

¹ Discounts expressed as a percentage savings off of retail price. No information is provided on strength or quantity of the medication.

² Discounts are expressed as average savings off of retail price. No information is provided on quantity of the medication and prices vary by pharmacy.

³ Prices are expressed as the average member price and will vary by pharmacy.

⁴ Includes cash back savings—10% extra savings sent with a quarterly statement.

Table 2**Mail-Order Prices for Discount Card Programs for Selected Prescription Drugs (90 units unless otherwise indicated)**

Program			YOURxPlan	SaveWell	AARP mail-order	PSG/RxUniverse ¹
Annual membership/enrollment fee			\$25—single \$40—family	\$84 per family member	\$15—single \$30—single + spouse	\$19.99—single \$39.99—family (\$4 discount via internet)
Shipping charges			No separate charges	No separate charges	No separate charges	\$4.95/order or \$19.95 for overnight
Drug	Brand or generics	Therapeutic class				
Celebrex 200 mg	Brand	Anti-inflammatory/ Analgesia	\$188.81	\$182.54	Call toll free number	\$234.64
Furosemide 40 mg tab	Generic	Loop diuretic	\$10.38	\$8.06	Call toll free number	Not listed
K-Dur 20 20 mg	Brand	Potassium replacement ²	\$40.10 ²	\$41.84	Call toll free number	\$50.16
Lanoxin 0.25 mg	Generic	Cardiac glycoside	\$8.70	\$8.80	Call toll free number	\$19.88
Norvasc 10 mg	Brand	Calcium channel blocker	\$147.19 ²	\$157.89	Call toll free number	\$202.39
Premarin .0625 mg	Brand	Estrogen replacement	\$58.81	\$55.70	Call toll free number	\$56.34
Prilosec 20 mg	Brand	Gastrointestinal agent	\$288.42 ²	\$310.99	Call toll free number	\$401.32
Synthroid 0.1 m	Brand	Synthetic thyroid	\$32.13	\$29.68	Call toll free number	\$31.64
Zocor 20 mg	Brand	Lipid lowering agent	\$310.32	\$301.09	Call toll free number	\$370.12
Fosamax 10 mg	Brand	Osteoporosis treatment	\$156.38 ²	\$167.85	Call toll free number	\$196.78

SOURCE: Company Internet websites. Note that prices change frequently. These prices were quoted in mid-November.

¹ Website gives unit price and then calculates for any quantity. Prices are shown for 90 units.

² Includes cash back savings—10% extra savings sent with a quarterly statement.

Unless otherwise specified, prices for both retail and mail-order/internet purchases are for 90 units of the specific drug. Table 2 also indicates whether there is an additional charge for mailing.

The prices shown in both tables were obtained from each discount card program sponsor's website. As noted in the footnote on Table 1, price information was not available for all of the surveyed discount card programs. In fact, of the 14 card programs surveyed, 8 did not provide any retail price information on their websites (see Table 1). Mail-order prices were easier to obtain. Of the 7 card programs with mail-order service, only one (AARP Mail-Order) did not provide the price information on its website (see Table 2).

Prescription drug prices as shown in Tables 1 and 2 were obtained in mid-November 2001, and some may have changed in the interim. For example, when prices were rechecked for Celebrex in late November, the price quoted by one card program for 30 units rose from \$68.69 to \$74.92. Such price changes create uncertainty in any efforts to compare the different card programs.

Table 2 (continued)

Mail-Order Prices for Discount Card Programs for Selected Prescription Drugs (90 units unless otherwise indicated)

Program			ProCare ³	Member Health	Northern Drugstore.com (through American Benefits Assn ABA)	DrugStore.com ⁴
Annual membership/enrollment fee			71.00—family plus one-time \$5 enrollment fee	\$10—family	ABA—\$39.95 No fee to use Northern Drugstore.com	None
Shipping charges			No separate charges		\$10 per order for up to 2 Rx; \$3 per additional Rx.	No charge except for 2 day/overnight, \$9–\$17
Drug	Brand or generics	Therapeutic class				
Celebrex 200 mg	Brand	Anti-inflammatory/Analgesia	Call toll free number	\$237.87	\$120.00 (100 units) ²	\$195.48
Furosemide 40 mg tab	Generic	Loop diuretic	\$3.06 (30 units)	\$6.87	NA	\$10.00 (200 units)
K-Dur 20 20 mg	Brand	Potassium replacement	Call toll free number	\$49.87	\$40.00 (100 units)	\$157.70 (300 units)
Lanoxin 0.25 mg	Generic	Cardiac glycoside	Call toll free number	\$16.87	\$17.00 (100 units)	\$18.45
Norvasc 10 mg	Brand	Calcium channel blocker	\$56.15 (30 units)	\$189.87	NA	\$167.32
Premarin .0625 mg	Brand	Estrogen replacement	\$17.10 (30 units)	\$58.87	\$30.00 (100 units)	\$47.19
Prilosec 20 mg	Brand	Gastrointestinal agent	\$112.25 (30 units)	\$390.87	\$65.00 (28 units)	\$312.93
Synthroid 0.1 m	Brand	Synthetic thyroid	\$8.76 (30 units)	\$32.87	\$25.00 (100 units)	\$26.70
Zocor 20 mg	Brand	Lipid lowering agent	\$62.28 (30 units)	\$362.87	NA	\$311.40
Fosamax 10 mg	Brand	Osteoporosis treatment	\$56.34 (30 units)	\$201.87	\$59.00 (30 units)	\$170.07

SOURCE: Company Internet websites. Note that prices change frequently. These prices were quoted in mid-November.

³Website gives unit price and then calculates for any quantity. Prices are shown for 90 units.

⁴Includes cash back savings—10% extra savings sent with a quarterly statement.

The tables give rise to several observations. First is the lack of comparability of the information for the surveyed private-sector discount card programs. Some programs do not provide any price information at all and some give prices only for quantities other than 90 units. In some cases (e.g., CVS and Qdrug), prices are not shown because they vary by participating pharmacy. In other cases (e.g., ProCare, ValuCard), the card sponsor simply did not provide the price information. Where prices are available, some programs provide the actual price for the specific drug (and for the specific dosage) whereas some programs limit their information to the dollar amount of savings from the retail price or the average percentage discount from the retail price without specifying the retail price from which the discount is taken. In fact, for retail purchases (Table 1), only two (YOURxPLAN and Member Choice) of the 14 programs provide the

information in a way that allows a direct price comparison. Thus, in mid-November 2001, a YOURxPLAN cardholder could obtain 90 units of Celebrex (200 mg) at a participating retail pharmacy for \$201.68 whereas a Member Choice cardholder could buy the same quantity of the same drug for \$192.54. Although the discount for this drug may have been the same or greater for the other card programs, it is impossible to tell given the information made available to consumers on the card program websites. More comparisons are possible for the mail-order options, but care must be taken to factor in shipping charges (if any) and instances where the price is for other than 90 units of the drug.

Second, where price comparisons can be made, there are some significant price variations for each drug. As seen on Table 2, for example, mail-order prices for the brand drug Celebrex (200 mg) range from \$120 (for 100 units) at Northern Drugstore.Com (a Canadian internet pharmacy partnering with the American Benefits Association) to \$237.87 for MemberHealth cardholders, a difference of \$117.87. Excluding Northern Drugstore, the lowest cost option is Savewell (\$182.54)—still a difference of \$55.10. For Prilosec, another brand drug, prices range from \$288.42 (YOURxPLAN) to \$401.32 (Rx Universe), a difference of \$112.90. (Note again that these price quotes were obtained in November 2001 and may have changed.) It is also the case that DrugStore.com, an internet pharmacy that does not require enrolling or a membership fee, offers lower prices for the selected drugs than some of the surveyed discount card programs.

Third, with the possible exception of Northern Drugstore.Com, no discount card program consistently delivers the lowest price for all ten of the selected drugs.¹⁷ The best value for a given consumer would depend on which drugs are needed. Moreover, the cost of the card program's membership fee, if any, would have to be factored into the price comparison. For mail-order purchases, another factor to be considered would be shipping costs, if any.

Quality & Safety Features. In virtually all of the private discount card options reviewed for this report there are some quality assurance and patient safety programs related to appropriate drug use, some of which are required by state law or regulation. In the case of discount cards offered by or associated with pharmacy benefit management (PBM) organizations, the PBMs typically offer an array of quality intervention strategies that are otherwise available to their insured groups and individuals. An important qualification to note is that these quality assurance activities are based on information about prescription drugs purchased at retail outlets with a discount card or directly from a mail-order pharmacy. The lack of data on other medications or underlying health conditions limits the effectiveness of these efforts in preventing adverse health events.

All licensed retail pharmacies maintain records of prescription drug transactions including the physician's order, the quantity and strength of the drug dispensed, and the name and other identifying data pertaining to the consumer. However, discount card programs vary as to whether they aggregate purchases by cardholders across all participating pharmacies. Without such information, discount card programs would be unable to perform some quality assurance functions that rely on a consolidated database of all transactions.

¹⁷Since price information is not provided for three of the drugs, we cannot conclude that this program is consistently less expensive for the ten selected drugs

The most common quality function in programs reviewed for this report is the provision of information about the appropriate dosage, possible side effects, and adverse drug interactions to the consumer.

Direct access to pharmacists and other health professionals is also a feature of most discount card programs. This generally means that a pharmacist is available for consultation via a toll-free number 24 hours a day, seven days a week.

Several card programs, such as Pharmacy Card, send refill reminders—either by mail or via the internet—to customers using maintenance drugs.

In summary, there is a wide range of quality assurance and patient safety activities associated with the discount card programs surveyed in this report. The programs with the most limited services in these areas are those that rely exclusively on the procedures of local participating retail outlets and their pharmacists. Cards associated with PBMs generally provide drug utilization reviews, toll-free access to pharmacists, and product use and side effects information. A few cards offer a broader range of patient education and counseling services that can be valuable to consumers.

Protection of Privacy. We asked each of the card programs about the extent to which individually identifiable information about enrollees was protected from dissemination or use for purposes other than administering the drug discount program. For those with websites, their privacy policies are explicitly stated in a public notice. All of the respondents said that such information was protected. In some cases, the respondent detailed how systems were put in place to assure the confidentiality of individually identifiable information. Most, however, simply said that adequate safeguards were in place. Typical responses were: “We don’t sell or provide our membership lists to anyone.” “We have a secure website, and we secure social security numbers. Information is not provided to pharmaceutical manufacturers.”

Regulation of Card Programs. When respondents were asked about whether their cards had to meet specific regulations in order to market across the 50 states, most respondents said that there was generally no specific requirements that they had to meet because the cards were not insurance cards. Some referred to state laws (e.g., Arkansas) that require that discount cards state clearly in any marketing materials that they are not providing insurance coverage. None of the people we interviewed mentioned that some states require drug cards to register with the state (e.g., South Carolina requires registration with its Department of Insurance). Some respondents said that although they could not speak to the issue of regulation, it was their understanding that their programs were in full compliance with relevant federal and state laws.

Characteristics of State-Sponsored Discount Card Programs

Given the pressure to address the issue of the cost of prescription drugs for those with no or limited insurance coverage for drugs, states have undertaken a number of initiatives in the last several years. Over half of the states have implemented pharmaceutical assistance programs that provide some degree of subsidized drug coverage for the low-income who do not qualify for Medicaid. In addition, in order to help those with higher incomes, a number of states have instituted programs intended to provide discounts to those who otherwise pay full retail prices for their drugs.

Some states have attempted to pass through manufacturers' rebates required by their state Medicaid programs to their residents who are not otherwise eligible for Medicaid.¹⁸ In order to impose the Medicaid rebate requirements, the drug purchases have to be on behalf of Medicaid beneficiaries. Because these efforts would expand only a limited benefit (prescription drug coverage) to a population not otherwise eligible for Medicaid, a waiver from the federal government is necessary. A Medicaid waiver program in Vermont has been stopped by a court due to a suit filed by the Pharmaceutical Manufacturers Association (PhRMA). A similar program in Maine is currently being challenged in court by PhRMA.

We limited our review of state programs to those that provide discount card-type programs that do not have an insurance coverage or subsidy component through a Medicaid waiver or other state subsidy mechanism. Programs instituted through governmental initiatives in five states met our criteria: California, Florida, Iowa, New Hampshire, and West Virginia.¹⁹

Two of the state discount programs, California and Florida, require that pharmacies, as a condition of participating in Medicaid, provide any resident displaying a Medicare card with a specified discount (described in detail below and in Appendix 3). In Iowa, a drug "purchasing co-op" has been organized through a non-profit organization and is funded by a federal start-up grant. The program negotiates volume discounts for members from drug manufacturers. Both New Hampshire and West Virginia have established discount card programs for seniors whereby the state contracts with a PBM to negotiate discounts from participating pharmacies and pharmaceutical manufacturers.

It should be noted that the governor of Washington attempted to establish a drug discount card program via an executive order. The program was intended to build off the state's ability to negotiate price discounts for state public employees. State residents 55 years of age and older would be able to enroll for a nominal annual fee and would have access to the same discount prices available to state employees. The program was terminated shortly after implementation due to a court order as a result of a lawsuit filed by pharmacy interests claiming the state did not have authority to implement the program.

A summary of the characteristics of the surveyed state programs follows. Specific information obtained for each of these five state drug discount programs surveyed is displayed in Appendix 3.

Experience. The prescription drug discount programs resulting from initiatives on the part of state legislatures or state governments are all the result of actions taken during only the last two years. California's program began February 2000, and is scheduled to sunset January 1, 2003. Florida initiated its discount program July 1, 2001. The Iowa initiative began enrollment in November 2001. New Hampshire's program began January 1, 2000 and was scheduled to sunset December 31, 2001. In September 2001, West Virginia folded prescription drugs into its Golden Mountaineer Discount Card program that has been around for 20 years.

¹⁸Federal law requires drug manufacturers to extend specified rebates on their products as a condition for coverage under the Medicaid prescription drug benefit. Payment of the required rebates guarantees that the product will be covered for Medicaid beneficiaries.

¹⁹Florida also has a program that provides subsidized assistance to low-income seniors for prescription drugs. California recently announced a new initiative that will attempt to negotiate manufacturers' rebates for seniors and will be operational next year. Neither of these programs is discussed in this report.

Eligibility, Enrollment, and Enrollment Fees. The California and Florida programs both require that pharmacies, as a condition of their participation in the state Medicaid programs, provide discounts to any state resident displaying a Medicare card. There is no formal enrollment process and no fee to participate. As a result the states have no idea how many individuals are taking advantage of the programs.

In West Virginia, the discount program is available to all residents age 60 and over. Enrollment is intended to be automatic. The state initiated the enrollment by sending out cards to all residents age 60 and over who were in the Department of Motor Vehicles (DMV) data system. Additional enrollment is resulting as more seniors hear about the program.

In New Hampshire, residents age 65 and older are eligible for the discount program. Medicare disabled individuals under age 65 are not eligible at this time, although the state may bring this population in if the demonstration proves successful. To initiate enrollment, the contractor administering the program did a mass mailing to residents age 65 and older using a state database. The program is also marketed through pharmacies and state agencies that serve the senior population. Telephone enrollment is possible for seniors filling prescriptions who do not yet have a card.

The Iowa program is open to all residents who are Medicare eligible. Iowa is the only state-based discount program that requires an enrollment fee. The \$20 per year fee is used to support the private, non-profit entity that sponsors the program.

Access to Discounted Drugs. All but one of the state discount prescription drug programs is limited to Medicare beneficiaries (the New Hampshire program does not currently enroll Medicare beneficiaries entitled on the basis of disability). The West Virginia program is available to anyone at age 60 or older. For two of the three programs that involve PBM partners, the discount card can be used at the PBM's network of participating pharmacies. For example, Advance-PCS, the PBM for West Virginia, includes 420 pharmacies across the state—at least one in every county—and offers a locator service on its website. The New Hampshire program relies on the participating PBM network, which is about one-third independent stores and two-thirds chain stores. However, three northern New Hampshire counties have no participating stores. In Iowa, every pharmacy is eligible to participate in the network.

The California and Florida programs use the states' networks of participating Medicaid pharmacies to provide access to discounted prices—about 5,000 in California and 3,400 in Florida. In addition, the Florida and New Hampshire programs have mail-order options that extend access to those living in areas not served by participating retail outlets. The private coalition of seniors, providers, pharmacists, and drug manufacturers in Iowa responsible for running the card program decided to exclude any mail-order option in a bid to limit competition with retail pharmacies.

None of the state programs surveyed in this report have a formulary. However, the New Hampshire program does include a preferred medication list from which deeper discounts are available. While the Iowa program does not have a formulary, its program depends on manufacturer rebates that may not be available for all drugs. Participants in all the state programs are able to determine the location of participating pharmacies from the PBM via the

Internet or a toll-free number in Iowa, New Hampshire, and West Virginia. The California and Florida programs utilize the Medicaid pharmacy networks that can be obtained from the state Medicaid agency.

Basis for Discounts and Access to Prices. The state programs vary in the methods and extent of drug discounts that are available to participants. In California, the discounts extended to Medicare beneficiaries are based on the amount the state pays pharmacies for covered drugs provided to Medi-Cal beneficiaries. For California, the Medi-Cal rates are AWP minus 5% in most cases plus a dispensing fee of \$3.95. There are no manufacturers' rebates for the discount program as there are for the California Medi-Cal program. In Florida, the enabling law requires that pharmacies charge Medicare beneficiaries no more than AWP minus 9% plus a dispensing fee of \$4.50. Since many pharmacies purchase drugs from wholesalers or manufacturers for considerably less than AWP, these discounted prices may not be very different from, and in some cases are higher than, prices available to any consumer at retail.

In the three states partnering with PBMs, the discounts are based on agreements between the PBM and the participating pharmacies and, in some cases, drug manufacturers. Currently in West Virginia, Advance-PCS—the contracting PBM—has only obtained discounts from the retail outlets. Savings result from a requirement to offer the PBM negotiated discount or the usual and customary price, whichever is lower. While the drug program was only launched in September 2001, the state estimates an average of 18% savings based on data from about 5,500 people and over 11,000 prescriptions. The state has indicated its intention to have Advance-PCS negotiate manufacturers' rebates to reduce the program's dependence on retail discounts.

The PBM partnering with New Hampshire (National Prescription Administrators, Inc.) estimates discounts at participating retail outlets of 15% on brand-names and 40% on generics for an average savings of about 17%. The PBM also uses a preferred medication list with deeper discounts including both brand-name and generic products that presumably reflect a combination of retail discounts and manufacturers' rebates. This program was scheduled to sunset at the end of 2001, but in the absence of a national Medicare discount card program or a Medicare drug benefit, efforts are underway to extend it for another year.

The Iowa program selected Argus Health Systems, Inc., as its PBM partner. A unique feature of this program is the requirement that all discounts be based on manufacturer rebates negotiated by Argus. Thus, retail pharmacies do not have to offer any price concessions and do not have to enter into formal participation agreements with the PBM. In addition, there is a prohibition against offering any mail-order options. The program also utilizes a preferred drug list composed of both brand and generic products for which deeper manufacturer rebates have been negotiated.

The state-based programs do not in general make drug price information available on the internet. California is something of an exception. Its website provides the Medi-Cal price for the 50 most requested drugs.

Quality & Safety Features. As noted earlier, the five state programs surveyed for this report range from those that are fully operational to those just beginning. Three of the programs—Iowa, New Hampshire, and West Virginia—employ the services of a PBM. In these programs, participating pharmacies have access to the utilization review capabilities of the PBMs to check for potentially

adverse drug interactions and patient information regarding the appropriate use of drugs and possible side effects. In addition, the Iowa program will provide enrollees a coupon that is good for an annual drug therapy assessment either from a pharmacist or a physician. This service is intended to identify opportunities for discontinuing the use of drugs no longer needed as well as informing the enrollee about potential savings from generic alternatives. Information from the assessment will be included in the central data base of the PBM.

The discount programs in California and Florida do not have PBM partners nor do they require or track participation. However, pharmacies in both states maintain prescription records and can do drug interaction checks at point of sale based on drugs obtained from the individual retail outlet. Florida also requires pharmacies to obtain and keep a complete drug history from customers at the point of sale that can be accessed for drug utilization review (DUR) functions by the pharmacist.

Access to counseling and professional pharmacist services related to prescription drugs is offered through the state programs with PBM partners. The Iowa, New Hampshire, and West Virginia programs offer consumer access to a registered pharmacist via toll-free numbers 24 hours a day, seven days a week. In California and Florida the state provides information (via phone or mail) about the program, participating pharmacies, and pricing information that is available only during regular business hours. Professional counseling from a pharmacist or other health practitioner is not offered.

Protection of Privacy. All of the state programs have procedures to protect the confidentiality of individually identifiable information, but little else was mentioned by respondents. One exception is that in New Hampshire, protection of privacy was a big issue. When the program was being established, the pharmacists ran ads that said that the program would sell personal information. In fact, the program is only permitted to disclose or sell aggregate statistical information. It cannot disclose or sell any individually identifiable information.

State Regulation. We inquired what laws or regulations had to be met in order to establish the state programs and, in the case of Iowa, the non-profit cooperative. In New Hampshire, where no state funds are being used to run the discount card demonstration, no legislation was sought to establish the card program nor was there a need to obtain a Medicaid waiver. Nonetheless, state legislators carefully scrutinized the program, largely in response to lobbying from pharmaceutical manufacturers and pharmacists. In addition, the legislature passed a law in 2001 to require that discount card programs register with the State Board of Pharmacy. Also, companies have to state that they are not offering an insurance plan but a discount plan or card. The legislation exempts entities already having a relation with state government (which means that the current card program is exempted). In West Virginia, no additional state law or regulation was viewed as necessary and no federal Medicaid waiver was needed. In Iowa, the discount drug card program was intentionally designed in such a way as to not require changes in state law. As a coalition effort, it was also critical to obtain the cooperation of all affected parties, including pharmacists.

SUMMARY AND OBSERVATIONS

This report confirms that a large and diverse number of opportunities exist for consumers to purchase prescription drugs at discounted prices. Discounts from “usual retail prices” can be obtained from retail pharmacies, mail-order services, and “virtual” pharmacies via the internet, often without enrolling in a discount card program. However, there are a large and growing number of private discount card programs that can be used to purchase drugs in many of these same outlets. In addition, at least five states are sponsoring discount cards targeted to seniors.

Comparing or evaluating these drug discount opportunities from the perspective of consumers is especially challenging for several reasons. The card programs vary significantly in sign-up costs to the enrollee, program features, and the magnitude of prescription drug price discounts. No directory of discount card programs exists and consumers must rely largely on the card programs’ own marketing materials and websites for information about program characteristics. Perhaps most important, price comparisons for specific drugs across all options are practically impossible since there is no standard reference price or discounting method. The most favorable option for any individual will depend on a number of factors including the:

- number and type of medications needed;
- duration of the drug regimens;
- convenience and accessibility of the outlet;
- acceptability of mail-order services; and
- value of professional pharmacist counseling.

Thus, a single option is unlikely to be optimal for all consumers, and the best option for an individual will often change over time as their mix of drugs changes or as discounts from a given option increase or decline.

There are a variety of ways that drug discount card program sponsors make a profit. The most obvious sources of profits are enrollment fees (if any) and rebates from pharmaceutical manufacturers. Rebates are based on manufacturers’ desire to increase market share for their products and the ability of card programs to promote or reward the purchase of preferred products with deeper discounts. While rebates flow to the card sponsor, there is considerable variation in the degree to which the rebates are passed through to the consumer in the form of lower prices or retained by the sponsor.

A number of other factors can affect the profitability of card programs. These include:

- bundling drug discounts with discounts for other goods and services such as dental, vision, and alternative medicine services;
- promotion of mail-order pharmacy services to maximize potential for manufacturer rebates; and
- contracting with other organizations who wish to market the card program under their sponsorship.

Since all of the card programs surveyed in this report depend in differing degrees on some or all of

these marketing strategies to maximize their revenues, it is not possible to generalize about how they make money or which cards offer the most value to consumers.

It is also important to note that there is considerable tension between card sponsors and retail pharmacies. To the extent card programs rely on discounts off retail prices and dispensing fees to offer consumer value, participating pharmacies seek to offset these price concessions with increased prescription volume and with increased sales of other items in their retail inventory. Card programs offering mail-order services are often viewed by pharmacies as unfair competition because such programs can reduce sales for both prescriptions and other items carried in retail stores. Retail pharmacies also complain that card programs with ties to manufacturers are primarily marketing and promotional vehicles for their products.

From the consumer's perspective, while these programs have the potential to offer substantial savings, the plethora of discount card options presents a formidable landscape to navigate. Comparison shopping among these options can be tedious and confusing. In fact, for consumers who typically fill prescriptions only when experiencing an acute condition, comparison-shopping is probably not feasible. They may also place a higher priority on accessing the prescription immediately and forego the deeper discounts that may be available from mail-order services because of the time delay in shipping. Consumers lacking access to the internet are even more disadvantaged in their efforts to evaluate card options.

Typical problems encountered by consumers in assessing card options may include:

- non-comparable prices due to the lack of a standard method for describing discounts;
- pricing quotes limited to a subset of available drugs;
- discounts expressed as an average from undisclosed prices;
- frequent price changes;
- specific drug price availability only after enrollment in the card program;
- availability of mail-order prices only; and
- retail pharmacy discount prices available only from each store.

Thus, the only way a consumer can determine whether or not a particular card program will give them value is to obtain specific price quotes on the set of drugs they use. This may not be possible without a considerable effort and time commitment. Nevertheless, for those with limited or no insurance coverage for drugs and a need for maintenance drugs or high-cost drugs, some card programs appear to offer significant savings. Whether the overall savings are greater than could otherwise be obtained from some chain drugstores, discount department store pharmacies, internet pharmacies, or mail-order pharmacies was beyond the scope of this study, however.

In today's discount card market, consumers have the opportunity to participate in multiple card programs if they want to maximize the discounts available for specific drugs they need. With a few exceptions, there are no prerequisites for membership in the card programs surveyed for this report. In addition, a number of the programs guarantee that the cardholder will get the lower of the program's discount price or the price at the individual retail store. Thus, an individual with multiple prescriptions may use one card to obtain a deeply discounted brand-name drug from a

preferred medication list and another card for the best price on a generic drug they use. In these cases, the consumer must decide if it's worth paying multiple enrollment fees and perhaps shopping in less convenient outlets.

The surveyed programs all claimed that the privacy of individually identifiable information was protected. It was beyond the scope of this study, however, to examine whether adequate legal protections are in place. Concerns exist, for example, that such information may sometimes be shared with drug companies and others to market their products.

Finally, the five state-based discount programs surveyed share many of the same characteristics of the private discount programs. One advantage is that they do not charge a fee (except for the \$20 annual fee in Iowa) so that discounts are not effectively reduced by the amount of an enrollment fee. However, a similar challenge for the consumer exists when they try to obtain comparable drug pricing information. Four of these programs do not provide easy access to pricing information, and California only provides discounted prices on its website for the 50 most commonly used drugs.

IMPLICATIONS FOR POLICYMAKERS

While the motivation for this paper comes from the interest in prescription drug discount card programs generated by the Bush Administration initiative, it is not intended to be an analysis or critique of the details of the Administration's proposal. Indeed, as indicated earlier, we were unable to identify any currently existing discount card programs that, absent some modification, would meet the criteria outlined by the Administration in August of 2001. The examination of drug discount cards currently available to consumers does, however, raise certain issues regarding the concept of discount cards that should be borne in mind by policymakers considering implementation of such a program:

1. Consideration must be given to the many unique challenges related to the characteristics of the population being targeted. Many elderly individuals are not physically or mentally able to comparison shop or transport themselves to retail outlets that honor discounts. Likewise, seniors may not have computers or access to the internet, which makes providing comparative information on the programs, including drug prices, more of a challenge.
2. The success in obtaining discounts will depend on how the discounts are derived, whether from pharmacies, drug manufacturers, enrollment fees, or a combination of these. The size and source of discounts will have practical and political implications for the success of any such program.
3. Consideration must be given to how a federally sponsored discount card program will relate to other discount programs operating in the market, including other publicly sponsored programs such as the state initiatives detailed in this report, as well as discount cards available through direct-to-consumer marketing, retiree health plans, or Medigap insurers.

4. There are a number of issues for beneficiaries as well as card sponsors related to providing adequate, comprehensible, and accessible information to enrollees. The complexity and confusion surrounding drug pricing make it especially important that consumers be given clear and comparable information to assess which discount card program if any will be beneficial given their needs and specific drug regimens. Consideration should be given to standardization of terms, clarity of presentation, amount of information provided, timeliness, and updating (i.e., drug prices may change frequently), as well as the means by which enrollees may access the information (toll-free lines, internet, publications, etc.).
5. There is the potential for card programs to provide a variety of valuable quality assurance services, such as maintaining a centralized database that allows drug utilization across all network pharmacies. However, deeper discounts for beneficiaries will depend on the ability of card sponsors to influence prescription drug utilization. While such management techniques can be valuable from the perspective of pricing, they also raise a number of quality assurance issues. Care must be taken to make sure that beneficiaries are not inappropriately steered to certain medications for financial rather than clinical reasons.
6. Any development of large databases with individually identifiable patient information must have adequate privacy protections. The relationship of card program sponsors to existing federal and state privacy laws and regulations must be examined to make sure that privacy safeguards apply.

It is widely documented that those Medicare beneficiaries with inadequate or no drug coverage are at an even greater disadvantage than those with coverage because they do not have access to discounted prices for their medications. The high cost of prescription drugs may inhibit appropriate access to highly effective treatments for many Medicare beneficiaries. Prescription drug discount cards have been identified as one way of bringing down the costs of drugs for these beneficiaries. Existing card programs vary widely on the cost of enrolling, potential for meaningful discounts, consumer information, and quality measures. The value of any card program will largely depend on a given consumer's drug regimen. This report identifies a number of issues that federal or state policymakers may want to consider in their assessment of discount drug card program options.

APPENDIX 1 – BUSH ADMINISTRATION PROPOSAL

The features of the discount card program as originally announced by the Bush Administration and specified in the August 2001 application document are as follows.

Elements of the Proposal. CMS planned to educate beneficiaries about the Medicare-endorsed discount card options by highlighting them in Medicare publications (such as the *Medicare and You* handbook) and in the pre-enrollment package received by all beneficiaries upon obtaining Medicare eligibility. Information about the programs would also be provided on the Medicare website and through the toll-free Medicare information line. Information on the cards would include basic program features, the date on which beneficiaries could begin to enroll, the date on which discounts would be effective (if different from the enrollment date), and phone numbers for the programs.

All applying sponsors that met qualifications would receive the Medicare endorsement.

Minimum requirements for the following Medicare endorsement would include:

- Low or no cost (\$25 maximum per beneficiary) enrollment fee on a one-time basis and no additional fees to maintain enrollment (i.e., no annual fees).
- Provide discounts on at least one brand or generic drug in each therapeutic class, group, or sub-group of drugs commonly used by beneficiaries (the list to be provided by the Administration).
- An eligible applicant must be a non-governmental legal entity with at least 5 years experience in pharmacy benefit management or prescription drug discount programs and currently managing at least 2 million covered lives and a pharmacy network serving all 50 states (regional programs must manage at least 1 million covered lives and have a pharmacy network serving at least 2 contiguous states).
- Must enroll all beneficiaries wishing to participate and limit participation to only Medicare beneficiaries.
- Offer a national or regional contracted retail pharmacy network. In addition, a mail-order service is strongly encouraged.
- Charge no fees to CMS.
- Provide customer service including enrollment and toll-free telephone help.
- Verify that enrollees are not participating in another Medicare-endorsed drug discount card program (enrollment in only one Medicare-endorsed program is allowed). Beneficiaries may disenroll at any time and may enroll in another program on a semi-annual basis. Initial enrollment may occur at any time.
- Provide notice to beneficiaries of anticipated uses of personally identifiable beneficiary information and obtain prior authorization for sharing beneficiary-specific information necessary for the operation of the program.
- Agree to participate in funding a private consortium with other Medicare-endorsed discount

card programs to perform administrative functions and make available comparative information.

- Comparative information must include specific discount prices by November 1, 2002. During the first year of the program, information would include the average discount from the average wholesale price (AWP) for drugs commonly used by Medicare beneficiaries.
- Programs could accept groups of enrollees from insurers; insurers that make elections on behalf of their members would have to disclose that to their enrollees and participation would count as the beneficiary's election.
- Must provide beneficiary services including a telephone call center that operates between 8 a.m. and 4:30 p.m.; 70% of customer service representatives' time must be spent manning telephones; 80% of calls must be answered within 30 seconds; abandonment rate must not exceed 5%; endorsement must provide a complaint and grievance process.
- At least 90% of enrolled Medicare beneficiaries must live within 10 miles of a retail pharmacy network outlet. Mail-order is encouraged but not required.

Discounts and rebates: Applicants are encouraged to negotiate with manufacturers for rebates. Applicants may keep rebates but are encouraged to pass on a portion to enrollees or retail pharmacies. Programs have the discretion to use formularies, patient education, pharmacy networks, mail-order, and other commonly used tools to secure deeper discounts for enrollees.

APPENDIX 2—

SELECTED PRIVATE-SECTOR PRESCRIPTION DRUG DISCOUNT CARD PROGRAMS

Program/ Website	Advance-PCS Prescription Plan	Citizens Health Card	CVS Health Savings Pass (Basic)
	Sponsored and administered by Advance-PCS. www.advanceparadigm.com	Sponsored by Citizens Energy Corporation. Administered by Express-Scripts. www.citizensenergy.com	Sponsored by CVS Corporation. Administered by Alliance HealthCard. www.cvs.com
Eligibility/How long has program been around?	Available to all. Program has existed since Fall of 2001.	Open to all in MA, RI, and CT. Program was launched September 2001.	Open to all over age 50. Program launched the last week of October 2001. Will be available in all CVS market areas by January 15, 2002.
Enrollment fees/ Enrollment process	No fee. Enroll via internet, toll-free phone, or at select pharmacies and physician offices.	Annual fee: \$12—single, \$28—family. Enroll via toll-free phone, mail, fax, or internet.	Open to all over age 50. Program launched the last week of October 2001. Will be available in all CVS market areas by January 15, 2002.
Access (Pharmacy access; use of formulary)	Retail and mail-order. Over 40,000 pharmacies nationwide (each pharmacy's mail-order facility). Participating pharmacies available on website. No formulary.	Both retail and mail-order. About 1000 participating pharmacies listed on internet or through toll-free number. No formulary.	Open to all over age 50. Program launched the last week of October 2001. Will be available in all CVS market areas by January 15, 2002.
Range of discounts ¹	Generally, save 15% on brand-name drugs and 25% on generics; average discount of 21%. Cardholder always gets the lower of the pharmacy or discount card price.	Discounts of 24 to 36% on brands and 50 to 60% off a Medicaid MAC on generics. Deeper discounts on drugs from Bristol-Myers Squibb & GlaxoSmith Kline.	Open to all over age 50. Program launched the last week of October 2001. Will be available in all CVS market areas by January 15, 2002.
Drug price information (internet, other)	Must get price quotes from individual participating pharmacies; no prices available on website.	Price quotes are available from a toll-free call center 24/7. Internet price quotes not yet available.	Open to all over age 50. Program launched the last week of October 2001. Will be available in all CVS market areas by January 15, 2002.

¹ Information provided by the program in their marketing materials. In general, discounts are based on usual and customary retail prices. Some discounts are expressed as discounts off of the Average Wholesale Price (AWP). For generic drugs, which may be produced by different manufacturers, a maximum allowable cost (MAC) is often established.

APPENDIX 2 (continued)–

SELECTED PRIVATE-SECTOR PRESCRIPTION DRUG DISCOUNT CARD PROGRAMS

Program/ Website	EHO Prescription Drug Card	MagnaCard	Member Choice
	Sponsored by Independent Lifestyle Association (ILSA). Administered by SPC Global Technologies Ltd. www.seniorbenefitsavings.com	Sponsored by MagnaCare Group, Inc. Administered by Member Health. www.seniorinsuranceonline.com	Sponsored by AAAP. Administered by United HealthCare which contracts with Express Scripts Inc. www.aarp-pharmacy.com
Eligibility/How long has program been around?	Open to all (not available in Arkansas). Program has existed since 1994.	Open to all. Program has existed for 3 years.	Available to AARP members only. Program has existed for about 10 years.
Enrollment fees/ Enrollment process	Annual fee: \$39.95 per family. Card includes drug and vision discounts as well as emergency alert program. Enroll via internet, mail, or through agents.	Annual fee: \$25 per household. Enroll via internet, by mail, or by fax.	Annual fee: \$15.00 per person. Enroll via internet, mail, or toll-free number.
Access (Pharmacy access; use of formulary)	Retail access only. Over 40,000 participating pharmacies. Has a preferred medication list that rank orders drugs by relative cost. Identifies those for which a rebate ("refund") will be given to enrollee.	Both retail and mail-order. About 45,000 participating pharmacies. No formulary but within certain therapeutic classes there is a preferred brand-name drug.	Both retail and mail-order. 46,000 participating pharmacies. No formulary.
Range of discounts ¹	Average savings of 20.42% per prescription. Additional cash refunds at end of year for "refundable drugs".	Discounts of 20 to 40%. Preferred brand-name discounts average about 28%, generics about 40%, and all other about 19%. If non-preferred brand is ordered, there is no discount from retail price.	Average savings of \$9.46 on each prescription (August 2000). Discounted prices at retail are 17% off of AWP for brand-names and 50% off of AWP for generics.
Drug price information (internet, other)	Prices not available on website to nonmembers. Available to members via website by entering a participating pharmacy. 60-day money-back guarantee.	Selected price quotes for retail are on-line and described as maximum price—actual price may be lower. Must be cardholder to get price from pharmacy for drugs not displayed on website. Website also provides price comparisons between brands and generics. 30-day money-back guarantee.	Available on internet without enrolling. Provides comparative prices for brands and generics.

¹Information provided by the program in their marketing materials. In general, discounts are based on usual and customary retail prices. Some discounts are expressed as discounts off of the Average Wholesale Price (AWP). For generic drugs, which may be produced by different manufacturers, a maximum allowable cost (MAC) is often established.

APPENDIX 2 (continued)–

SELECTED PRIVATE-SECTOR PRESCRIPTION DRUG DISCOUNT CARD PROGRAMS

Program/ Website	MHrx	Peoples Prescription Plan	Pharmacy Card
	Sponsored and administered by MemberHealth, Inc. www.mhrx.com	Sponsored by Peoples Benefit Services, Inc. Administered by Advance-PCS. www.peoplesrxcard.com	Sponsored by Prescription Benefits, Inc. Administered by Advance-PCS. www.rxbenefits.com
Eligibility/How long has program been around?	Open to all. Program has existed since 1996.	Available to all (except not sold in Alabama; card members from other states may use cards at pharmacies in Alabama). Program has existed for over 7 years.	Open to all. Program has existed for about 2 years.
Enrollment fees/ Enrollment process	Annual fee: \$10.00 per household. Enroll via internet or mail.	Annual fee: \$95.40 per household. \$5 discount for first month. Option of Rx only, walk-in pharmacy card is \$5.95 per month. Enroll via internet, mail, or toll-free number.	Annual fee: \$48 for individuals, \$60 for household. Free for seniors 65 and older (not advertised on the website). Enroll via internet, mail, fax, or toll-free number.
Access (Pharmacy access; use of formulary)	Both retail and mail-order. 45,000 participating pharmacies. No formulary but within certain therapeutic classes there is a preferred brand-name drug.	Both retail and mail-order. Accepted at over 50,000 locations nationwide. Participating pharmacies for specific zip code can be identified via website.	Retail access only. Network of over 55,000 pharmacies. Lists participating chains on website; obtain neighborhood pharmacy by emailing company. No formulary.
Range of discounts ¹	Discounts of 20 to 40%. Preferred brand-name discounts average about 28%, generics about 40%, and all other about 19%. If non-preferred brand is ordered there is no discount from retail price.	Save average of \$35 per month on brand-name and generics. Cardholder always gets the lower of the pharmacy or discount card price.	Save up to 90% off retail at the pharmacy. Members saved average of over 21% during 2000. Cardholder gets the lowest of discount or pharmacy's price.
Drug price information (internet, other)	Retail and mail-order prices available online without joining. Website also provides price comparisons between brands and generics.	Website provides amount of savings on average for a specific drug. 60-day money-back guarantee.	Website provides a sampling of specific drug discounts in terms of percentage savings from retail price. Also, enrollees can get comparative prices from customer service via toll-free number. 60-day money back guarantee.

¹ Information provided by the program in their marketing materials. In general, discounts are based on usual and customary retail prices. Some discounts are expressed as discounts off of the Average Wholesale Price (AWP). For generic drugs, which may be produced by different manufacturers, a maximum allowable cost (MAC) is often established.

APPENDIX 2 (continued)–

SELECTED PRIVATE-SECTOR PRESCRIPTION DRUG DISCOUNT CARD PROGRAMS

Program/ Website	ProCare ValuCard	PSG/Rx Universe Prescription Discount Card	Qdrug
	Sponsored and administered by ProCare Health Plans, Inc. www.procarecard.com	Sponsored and administered by Pharmacy Services Group www.rxuniverse.com	Sponsored by The HealthPlus Network of Providers. Administered by Script Care. www.qdrug.com
Eligibility/How long has program been around?	Open to all. Program has existed for 2½ years.	Open to all. Access to participating retail pharmacies requires purchase of discount card. No membership required to use internet pharmacy. Pharmacy has been in mail-order business since 1982. Discount card has been offered for about 10 years.	Open to all. HealthPlus Network founded in 1985. Program as now operated began in 1998.
Enrollment fees/ Enrollment process	Monthly fee: \$5.95 per family plus one-time \$5 enrollment fee and \$2.50 charge for each additional card. Includes discounts on vision and hearing services. Enroll via internet, phone or through agents.	Annual fee for card: \$19.99—single, \$39.99—family. (Discounts to \$15.04 & \$35.04, for individual & family cards are offered on-line.) Enroll via the Internet.	Annual fee: \$49.95 per individual, \$99 per family. Membership also includes discounts on eyewear. Enroll via internet or by mail.
Access (Pharmacy access; use of formulary)	Both retail and mail-order. Network of over 35,000 pharmacies (chains listed on website; neighborhood pharmacies available by emailing company). No formulary.	Both retail and mail-order. Network of over 50,000 pharmacies. Can't access location of nearest participating pharmacy without joining. No formulary.	Both retail and mail-order. Network of over 50,000 pharmacies. No formulary.
Range of discounts ¹	10–50% on most prescriptions. Guarantees 10% below AARP prices on mail-order or \$5 below best competitive price for drugs of \$10 or more. No postage or dispensing fees.	5%–40% off of retail prices. Discount prices at retail are 12% off AWP for brands and 25% off AWP for generics, plus a \$2.50 dispensing fee. Mail-order pharmacy discounts of up to 80% off retail price and is usually lower than discount card price.	Up to 60% on generic drugs; up to 30 or 40% on brand drugs.
Drug price information (internet, other)	Lists mail-order prices for top 30 maintenance medications. ProCare will provide price quotes on phone or via internet.	Mail-order prices are available on the website without joining. Retail prices are not available on the website.	Not available from Qdrug. Enrollee can ask participating pharmacies. 30-day money-back guarantee if not satisfied.

¹ Information provided by the program in their marketing materials. In general, discounts are based on usual and customary retail prices. Some discounts are expressed as discounts off of the Average Wholesale Price (AWP). For generic drugs, which may be produced by different manufacturers, a maximum allowable cost (MAC) is often established.

APPENDIX 2 (continued)–

SELECTED PRIVATE-SECTOR PRESCRIPTION DRUG DISCOUNT CARD PROGRAMS

Program/ Website	SaveWell	YOURxPLAN
	Sponsored by Medical Mutual of Ohio. Administered by Merck-Medco. www.savewell.com	Sponsored and administered by Merck-Medco Managed Care, L.L.C www.yourxplan.com
Eligibility/How long has program been around?	Open to all. Program has existed since July 1999.	Open to all except those enrolled in another plan administered by Merck-Medco. Program has existed since April 2000.
Enrollment fees/ Enrollment process	Annual fee: \$84 per household (up to 10 people). Enroll via internet, mail, toll-free phone or broker.	Annual fee: \$25 per individual, \$40 per family. Enroll via the Internet or by phone (except in 7 states).
Access (Pharmacy access; use of formulary)	Both retail and mail-order. Network of over 50,000 pharmacies. Location of pharmacies available online or by toll-free phone. No formulary.	Both retail and mail-order. 40,000 network pharmacies (available on website by zip code). No formulary but has list of preferred drugs.
Range of discounts ¹	Up to 50% off retail price for brand and generic. Average of 29.6% per prescription.	Discount from AWP—0–40% on mail-order; 0–30% on retail pharmacy purchases. (Highest discounts on mail-order.) Additional 10% cash-back rebate to members for drug purchases from preferred list.
Drug price information (internet, other)	Available on internet or by toll-free number without enrolling.	Available on internet without enrolling. Mail-order prices are total, including postage and handling. Retail prices are an average (small variation among participating pharmacies).

¹Information provided by the program in their marketing materials. In general, discounts are based on usual and customary retail prices. Some discounts are expressed as discounts off of the Average Wholesale Price (AWP). For generic drugs, which may be produced by different manufacturers, a maximum allowable cost (MAC) is often established.

APPENDIX 3—

STATE-SPONSORED PRESCRIPTION DRUG DISCOUNT CARD PROGRAMS

State	California	Florida	Iowa
	Prescription Drug Discount Program for Medicare Recipients. www.dhs.cahwnet.gov/mcs/mcpd/MBB/contracting/sb93/	Prescription Affordability Act for Seniors. www.fdhc.state.fl.us/Medicaid/Prescribed_Drug/index.shtml	Priority Prescription Savings Program. Administered by Argus Health System, Inc. www.iowapriority.org
Eligibility/Current Enrollment/How long has program been around?	Medicare beneficiaries (including disabled) who are California residents. The State does not track participation. Became operational February 1, 2000. Sunsets January 1, 2003.	Medicare beneficiaries who are Florida residents. State does not track participation. Program became effective July 1, 2000.	Medicare beneficiaries (aged and disabled) who are Iowa residents. Estimate that 391,000 Iowan seniors and disabled are eligible. Implemented in November 2001. Discounts begin in January 2002.
Enrollment fees	No enrollment or fee required. Medicare beneficiary must show Medicare card at pharmacy.	No enrollment or fee required. Medicare beneficiary must show Medicare card at pharmacy.	Annual fee: \$20 per person. Enroll via internet, phone, or Area Agencies on Aging.
Rx Access (Formulary; Mid-year changes; Pharmacy access)	Retail access only. Participation is a requirement for pharmacies wishing to participate in MediCal (i.e., CA Medicaid program). Over 5000 pharmacies in CA participate in MediCal. No formulary.	Retail access only. Participation is a requirement for pharmacies wishing to participate in Florida Medicaid program. Virtually all Florida pharmacies participate. No formulary.	Retail access only (explicitly rejected mail-order). All drugs available but drugs on preferred list are encouraged by providing larger discounts for them. No network of pharmacies—discount should be honored by all pharmacies in state.
Stated range of discounts¹	Medicare beneficiaries obtain drugs at price no higher than what the state pays pharmacies under MediCal, plus a \$3.95 dispensing fee (which includes 15 cents for each prescription for CA administrative costs). MediCal prices are generally AWP minus 5%. (There are no manufacturers' rebate savings in this program.)	Pharmacists may charge prices of no more than 91% of AWP plus a \$4.50 dispensing fee.	Preliminary estimate of 20%. More information will be available in December 2001.
Drug price information (internet, other)	Website does allow individuals to look up the MediCal price for the 50 most requested drugs.	No publication of prices is available. Beneficiaries can ask state to verify that they were not overcharged.	No drug price information available on website.

¹ Information provided by the program in their marketing materials. In general, discounts are based on usual and customary retail prices. Some discounts are expressed as discounts off of the Average Wholesale Price (AWP). For generic drugs, which may be produced by different manufacturers, a maximum allowable cost (MAC) is often established.

APPENDIX 3 (continued)—

STATE-SPONSORED PRESCRIPTION DRUG DISCOUNT CARD PROGRAMS

State	New Hampshire	West Virginia
	Senior Prescription Drug Discount Pilot Program (NHRx). Administered by National Prescription Administrators, Inc. www.nh-rxdiscountprogram.com	Golden Mountaineer Discount Card Administered by Advance-PCS. www.state.wv.us/seniorservices
Eligibility/Current Enrollment/How long has program been around?	All New Hampshire residents age 65 and older. Enrollment data are not available. Program became effective January 1, 2000. (2-year pilot program).	West Virginia residents age 60 and older. Replaces the income-tested SPAN II program. Discount for prescription drugs started September 2001.
Enrollment fees	No fee. Enrollment packages were sent to all NH seniors in their database, to be activated by mail or internet. Enrollment forms are also available at local senior centers and physicians offices. Emergency enrollment possible by phone.	No fee. In general, state mails card to residents on first day of month in which they attain age 60. Eligible persons can also obtain card by applying via internet, phone, or mail.
Rx Access (Formulary; Mid-year changes; Pharmacy access)	Retail access only. Over 200 participating pharmacies. Also at participating pharmacies in other states (list available by calling toll-free number). Virtually all drugs are covered but further discounts available for drugs listed on formulary.	Retail access only. 420 participating pharmacies are listed on website (at least one in each county). No formulary.
Stated range of discounts¹	Up to 40% for generic and up to 15% for brand.	Pharmacies are given pricing guidelines. For brands and some generics the price guidelines are AWP minus 13%; for most generics the MAC minus 60%. Cardholder gets the lower of the discount price or the pharmacy's usual and customary price.
Drug price information (internet, other)	Drug prices not available on internet. Drugs on formulary are not on website but list is mailed as part of enrollment packet.	Prices not available on internet.

¹ Information provided by the program in their marketing materials. In general, discounts are based on usual and customary retail prices. Some discounts are expressed as discounts off of the Average Wholesale Price (AWP). For generic drugs, which may be produced by different manufacturers, a maximum allowable cost (MAC) is often established.

APPENDIX 4—OTHER DISCOUNT CARD PROGRAMS

The following are discount drug card programs that market to individuals via the internet but were not included in this study. The statements of discounts are as advertised on the programs' websites.

American Benefits Association—Members can save from 15% on brand-name and 50% on generic drugs from over 40,000 participating pharmacies. By using NorthernDrugstore.com, its Canadian partner, the cardholder can save up to 75% on brand-name drugs. Also provides discounts for other health care providers and services.

www.abbcinc.com/basic.asp

\$39.95 annual enrollment fee (appears to be per individual).

Discount Card Services, Inc. (Uni-Care One)—“Uni-Care One members can obtain discounts of 5% to 30% on average community drug prices through a network of more than 47,000 chain pharmacies.”

www.discountcardservices.com/Pharmacy.com

brand-name drugs are at AWP-12% (plus \$2.50 dispensing fee) or the pharmacy's usual and customary charge, whichever is lower. Generic drugs are at the Health Care Financing Administration (i.e., CMS) established cost plus \$2.50 dispensing fee. \$89.95 annual enrollment fee for single or family (also includes discounts on dental, vision, hearing, chiropractic, podiatry and vitamins and supplements.) Other benefit options available.

FemScript®/aVidaRx™/MatureRx—Can be used at “more than 40,000 pharmacies to receive savings of up to 65% on preferred brand-name prescriptions and additional savings on generics.” Mail-order service available through WalMart Pharmacy Mail Service. Does not include all prescription medications.

www.femscript.com/information_center/maturerx/body.html

\$9.95 per member enrollment fee.

HealthPlus™—Can be used at “over 48,000 retail chains and independent participating pharmacies.”

www.healthplus.quinstreet.com/pharmacy

\$99.95 annual enrollment fee per member. Enrollment fee appears to include prescription drug discounts and discounts on other services.

MedAdvantage—Discounts on drugs, vision care, and dental care. Retail and mail-order. “Save up to 40% or more on prescription drugs, generic or name brand, at over 22,000 participating pharmacies nationwide.”

www.medadvantage.com
\$99.95 annual enrollment fee (single or family)

Medical Savings Benefit—Marketed to members of the National Association of Mature Americans. Card can be used at “over 40,000” pharmacies and obtain prescriptions” at the Average Wholesale Price less 13% plus dispensing fee.”

www.namatx.com/07wip.htm
Mail-order pharmacy plan—\$24.95 annual fee for individual or family (includes mail-order hearing program, durable medical equipment, and home health care).
Mail-order and walk-in (retail) pharmacy programs—\$34.95 annual fee for individual or family (includes discount optical, home health care, durable medical equipment, and other discounts)

WHS Prescription Benefit Management (Amerikind Pharmacy Network)—Can be used for discounts only at Kmart Pharmacies.

www.freeprescriptioncard.com
No enrollment fee.

Your Rx Advantage—Marketed through Commerce Bank and administered by PCS Health System, Inc. Can be used at “over 38,000” participating pharmacies.

www.advantage.commercebank.com/commercebank/rxfaq.html
Enroll through the Commerce Bank.



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