



## **Statement for the Record for the Senate Special Committee on Aging’s Hearing**

### **“Seniors Feeling the Squeeze: Rising Drug Prices and the Part D Program.”**

#### **Medicare Rights Center President Joe Baker**

The Medicare Rights Center extends its appreciation to Senator Bill Nelson and the Senate Special Committee on Aging for holding this hearing on the impact of rising drug prices on older adults who rely on Medicare Part D for their drug coverage. The Medicare Rights Center is a national nonprofit consumer service organization dedicated to helping older Americans and people with disabilities access quality, affordable health care through individual counseling and advocacy, educational programs and policy initiatives.

Medicare Rights has a frontline perspective on the effect of rising drug costs on people with Medicare. Through our free consumer help hotlines, we hear heartbreaking stories of older adults who go to extremes in order to afford medications or who must interrupt treatment as a result of the high costs of drugs during the coverage gap. In one case a woman was forced to share a prescription with a fellow patient, using the patient’s unused drugs to avoid an interruption in her treatment regimen. The problem is especially troubling for those with chronic and serious conditions who require multiple expensive medications—in some cases they need to pick and choose the medications they use because they are unable to afford them all.

There is good news, however. President Obama’s health reform proposal contains important provisions that will make medicines more affordable for people with Medicare. The president’s proposal phases out the coverage gap, also known as the “doughnut hole,” in the Medicare drug benefit, and includes immediate assistance by providing a 50 percent discount on prescription drugs purchased in the gap this year. In addition, the health reform legislation will allow consumers to purchase lower-priced generic versions of biologics—some of the most expensive medicines now on the market—that are essential for the treatment of diabetes, cancer and other serious illnesses.

#### **The Doughnut Hole**

Because of the design of the Part D drug benefit, most people with Medicare bear the full brunt of rising drug prices, unless they have very low income and qualify for Extra Help. Under the Medicare drug benefit in 2010, a person receives prescription drug coverage up until actual total costs reach \$2,830, when the coverage gap, or “doughnut hole,” begins.<sup>1</sup> In the coverage gap, people with Medicare must pay the full price of their medicines. The

2010 Part D coverage gap is \$3,610, the amount consumers must spend out-of-pocket while in the coverage gap before catastrophic coverage is triggered.<sup>2</sup> By 2018, the coverage gap is estimated to rise to \$5,755.<sup>3</sup>

In 2007, an estimated 3.4 million people with Part D coverage reached the coverage gap, and with the cost of prescriptions rising, more and more consumers will be unable to afford the high out-of-pocket costs during the gap.<sup>4</sup> According to a recently released report by the Kaiser Family Foundation, between 2009 and 2010 the monthly prices for the top ten brand-name drugs increased by 5 percent or more in the coverage gap. Those affected are likely to have debilitating chronic diseases. For example, the price in the coverage gap of both Aricept, a medication used to treat Alzheimer's disease, and Plavix, used to treat blood clots, increased 7 percent in the last year.<sup>5</sup> An examination of the long-term history of drug prices during the gap is even more alarming—between 2006 and 2010, monthly prices in the coverage gap for many commonly used drugs, including Lipitor and Nexium, increased by 20 to 41 percent.<sup>6</sup>

Expert studies confirm the devastating impact that entering the doughnut hole can have on older adults' ability to afford the medicines they need. In its March 2010 report to Congress, the Medicare Payment Advisory Commission (MedPAC) describes the results of a focus group study: Medicare consumers who did not have any type of assistance in the coverage gap split pills, took pills every other day, and in some cases stopped taking drugs altogether.<sup>7</sup> These strategies, often executed without physicians' knowledge or supervision, raise serious concerns about potential health risks for these older adults.<sup>8</sup>

The stories we hear every day from consumers illustrate the desperation that people face while in the doughnut hole. One woman who recently contacted us suffers from a neurological disorder that requires extensive treatment. When she fell into the doughnut hole, she skipped doses and was unable to afford refills for many of her medications. The prescription drug coverage that should have been there to help her instead left her stranded and unable to treat her symptoms.

The evidence is in. The coverage gap in the Medicare drug benefit is bad for the health of older adults and people with disabilities. It is time for Congress to close the doughnut hole.

### Generic Biologics

While switching to a lower-priced generic alternative is a smart strategy for consumers to reduce their out-of-pocket spending, this is not an option for people who take biologics, expensive medicines that are used in the treatment of cancer, diabetes and other serious illnesses. President Obama's health reform plan creates a pathway for regulatory approval of generic therapeutic equivalents of biologics. We hope this will allow generic biologics to enter the market without undue delay. Lower-priced generic biologics will not only provide savings for the consumers who take these medicines; it will also mean savings to both the taxpayers and people with Medicare who now pay for these drugs through higher premiums and reinsurance subsidies for Part D coverage.<sup>9</sup>

Steadily rising drug prices are detrimental to the health and financial security of people with Medicare. The health reform proposal put forward by President Obama would take important steps toward addressing this problem by closing the coverage gap in the Medicare drug benefit and allowing consumers to purchase lower-priced generic versions of high-cost biologics.

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<sup>1</sup> Jack Hoadley, Laura Summer, Elizabeth Hargrave, Juliette Cubanski and Tricia Neuman, *Medicare Part D 2010 Data Spotlight: The Coverage Gap*, The Kaiser Family Foundation, December 2009.

<sup>2</sup> Hoadley et al., *Medicare Part D 2010 Data Spotlight: The Coverage Gap*.

<sup>3</sup> Juliette Cubanski, Tricia Neuman, Elizabeth Hargrave, Jack Hoadley and Laura Summer, *Medicare Part D 2010 Data Spotlight: Prices for Brand-Name Drugs in the Coverage Gap*, The Kaiser Family Foundation, March 2010.

<sup>4</sup> Cubanski et al., *Medicare Part D 2010 Data Spotlight: Prices for Brand-Name Drugs in the Coverage Gap*.

<sup>5</sup> Cubanski et al., *Medicare Part D 2010 Data Spotlight: Prices for Brand-Name Drugs in the Coverage Gap*.

<sup>6</sup> Cubanski et al., *Medicare Part D 2010 Data Spotlight: Prices for Brand-Name Drugs in the Coverage Gap*.

<sup>7</sup> *Report to the Congress: Medicare Payment Policy*, Medicare Payment Advisory Commission (MedPAC), March 2010.

<sup>8</sup> Cubanski et al., *Medicare Part D 2010 Data Spotlight: Prices for Brand-Name Drugs in the Coverage Gap*.

<sup>9</sup> See *Report to the Congress: Medicare Payment Policy*, MedPAC (“In 2008 and 2009, Medicare’s reinsurance payments for the highest spending enrollees were the fastest growing component of Part D, partly because of the difficulty of negotiating rebates for high-cost drugs and biologics that have few competing therapies.”)