

# Study: Seniors see savings in Medicare drug option

July 22 2009, By ALICIA CHANG , AP Science Writer

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(AP) -- Medicare's 3-year-old prescription drug plan has largely met its main goal of making lifesaving medicines more affordable for seniors, a new report found.

The analysis by the nonprofit Kaiser Family Foundation examined government data and past studies and found that for the most part, people who used to lack drug coverage saw their out-of-pocket costs drop after enrolling in the [Medicare](#) drug program.

The report, published in Thursday's [New England Journal of Medicine](#), provides the most comprehensive look yet at how Medicare consumers have fared since the program, called Medicare Part D, went into effect in 2006.

The program allows seniors and the disabled enrolled in Medicare to join a private drug plan that is approved and subsidized by the federal government. The benefit is widely hailed as the biggest expansion to Medicare since it was signed into law in 1965.

Before Medicare Part D, only two-thirds of beneficiaries had drug coverage. That forced many with diabetes, [high blood pressure](#) and other chronic illnesses to stop filling prescriptions or skimp on their doses, according to various surveys.

Today, 90 percent - or about 41 million - have drug coverage. Of those, about 27 million are enrolled in [Medicare Part D](#). The rest are retirees

who get coverage from former employers or through the military.

Government spending on the Medicare drug benefit has also been lower than expected and is one of the rare federal programs to come in under budget. The program cost \$40 billion in 2007, less than the projected \$66 billion, the report said.

Jonathan Oberlander, a health politics expert at the University of North Carolina at Chapel Hill, called Part D a "mixed success."

"It has improved coverage for [prescription drugs](#) for Medicare beneficiaries. Program costs have been significantly lower than initially forecast. And more seniors now have access to critical medications," said Oberlander, who had no role in the study.

But it's not perfect, Oberlander and the Kaiser researchers note. Among the challenges:

- Some 4.5 million Medicare beneficiaries still lack [drug coverage](#) today, the same as in 2006. They include people who have opted to go without because they believe they are in good health and those who are unaware of the drug benefit and don't know how to sign up.

- Between 2006 and 2009, the average monthly premium for prescription drug plans rose 35 percent, from about \$26 to \$35.

- More than 2 million who are eligible for low-income drug subsidies are not getting them.

One of the biggest concerns during the Medicare drug benefit debate was that private insurers wouldn't want to offer the drug plans. That turned out not to be the case. Seniors now have dozens of Medicare drug plans to choose from, each with its own list of covered drugs, premiums,

copays and deductibles.

But seniors do not always pick the cheapest plan despite having many choices, the report found.

"It's still a work in progress," said lead author Tricia Neuman, director of Kaiser's Medicare Policy Project.

Kaiser researchers said it's hard to know whether consumers are getting a good deal on medications because key information is missing. Private insurers negotiate prices with drug makers and are not required to disclose drug discounts.

The coverage gap - known as the "doughnut hole" - continues to be a problem. The plan applies to the first \$2,700 in prescriptions. Beneficiaries then hit the gap and have to pay for their drugs until their out-of-pocket expenses reach \$4,350 for the year, at which point coverage resumes. Average monthly out-of-pocket spending nearly doubled for people who enter the coverage gap, the researchers found.

Congress is discussing ways to close that gap as it struggles to revamp the nation's \$2.4 trillion health care system.

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On the Net:

New England Journal: <http://www.nejm.org>

Medicare: <http://www.medicare.gov>

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