



February 2, 2006

BY FAX

The Honorable Mark McClellan
Administrator
Centers for Medicare and Medicaid Services
Washington, DC

Dear Dr. McClellan:

In addition to other start-up problems with the new Medicare Part D drug benefit, a consumer issue appears to be developing that has serious long-range implications and, unless corrected, could seriously harm consumer confidence in the program. A cursory sample of various drug plans (see below) conducted by Consumers Union has revealed that the cost of some prescriptions has dramatically increased in just one month; in the many plans with cost increases, the average increase in annual cost was about 5 percent.

While by no means a true representative sample, these initial numbers may serve as a ominous warning sign that consumers cannot count on price stability in these drug plans, stability which is so vital to seniors on a fixed budget.

Our small sampling of drug prices in five Zip Codes throughout the country from the Medicare.gov Web site (which states that it cannot guarantee the accuracy of company data) included an examination of the popular drug Lipitor, as well as a bundle of five drugs for various common ailments. The prices were sampled at the end of December 2005 before the benefit began, and at the end of January – one month into the program.

A majority of plans sampled showed an increase in annual costs to consumers. These increases ranged from as little as \$1 to, in some cases, over \$400 annually. Several companies did reduce annual costs (and one Texas plan had a major downward correction). But overwhelmingly, the annual cost of plans for this sample package of drugs was upward. In the New York survey, for example, 38 of 47 plans increased the cost of the five-drug package, with an average increase of \$155.80.

With the 2004-2005 prescription drug discount card program, prices of drugs moved up and down, but a majority trended downward — which was great news for consumers, but

begs the question why prices are up so sharply on these five drugs in most Medicare Part D plans in the first month.

Is CMS tracking all drug prices in all plans? And if so, are you finding this general trend upward? Should consumers be warned of this development and review their choice while they still have the opportunity to switch plans before May 15, 2006?

We had assumed that when a Prescription Drug Plan (PDP) negotiated discounts with a drug manufacturer, it would lock in that price for a contract year to provide price stability to the Medicare beneficiaries who elect to join that plan. That assumption appears not to be accurate. Is there information on whether any PDPs have negotiated such price stability? If so, could that information be made public so that the consumer would know which plans offer some stability, and which are likely to be more price volatile?

Our nation's seniors have been going to a great deal of work to pick a plan that is best for them, with the understanding that they will pay a set premium for the year for a reasonably defined benefit package. While this first initial enrollment period permits non-Medicare/Medicaid (dual eligible) consumers to make one switch in plans, after May 15th they are locked into their plan through the end of the year. Consumers Union's initial data shows — at least for the sampled drugs — that a consumer's thoughtful shopping choice can be diminished or perhaps even negated by changes in the plan's charge for one or more drugs. In some cases, the price increases are so large, they smell of a bait-and-switch.

If CMS is detecting the same trend of price increases, we hope you will immediately and publicly urge the drug plans to halt these price increases. We also urge CMS to publicly report on the full range of price movements so that consumers can avoid plans that are showing this type of bad faith at the very beginning of this vital health program. Right now there are more than enough plans for Medicare beneficiaries to choose from — but seniors need to be made aware of those plans with poor start-up service and bait-and-switch pricing behavior to make informed decisions about their health care.

Sincerely,

William Vaughan
Senior Policy Analyst
Consumers Union, publisher of *Consumer Reports*

ATTACHMENT

**Changes in Annual Cost to Medicare Beneficiaries for selected prescription drugs
between December 28, 2005 and January 30-31, 2006, as reported on
www.medicare.gov**

State and zip code	Drug	# of PDPs that increased annual cost	# of PDPs that decreased annual cost	# of PDPs that had no price change in the month
New York	Lipitor¹, 10 mg	12	0	35
	Package of 5 drugs	38	3	5
California	Lipitor	10	0	38
	Package of 5 drugs	36	7	5
Florida	Lipitor	7	0	36
	Package of 5 drugs	34	5	4
Illinois	Lipitor	9	0	34
	Package of 5 drugs	35	5	2
Texas	Lipitor	10	1	36
	Package of 5 drugs	37	8	2

In using the [Medicare.gov](http://www.Medicare.gov) Website, only PDPs were selected (no MA-PDs), no preference was given to pharmacy, and all plans serving that Zip Code were reviewed.

The package of 5 drugs includes one medicine from each of five major classes of drugs: it is not meant to be a package of drugs that any one individual would take. It consists of Altace 10 mg capsules (an ACE inhibitor for high blood pressure); Celebrex 200 mg capsules (for joint pain, etc.); Lipitor 10 mg tabs (for cholesterol adjustment); Nifedipine 30 mg extended release tabs (for chest pain and high blood pressure); and Zoloft 100 mg tabs (for anti-depression).

The Zip Codes are 00501, Long Island, NY; 32425, Bonifay, FL; 60406, Chicago, IL; 75135, Caddo Mills, Texas; 94246, rural Northern California.

¹ The Lipitor increases were all minor, generally about \$10 increase in annual cost.