

Dramatic price changes in privately-run Medicare drug plans: A strong argument for a public plan option in health reform

Analysis shows many best-priced insurance plans in 2006 among worst deals today

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A new analysis from Consumers Union, the non-profit publisher of *Consumer Reports*, shows that many Medicare Part D prescription drug plans – which are administered solely by private insurance companies – significantly increase the prices they charge customers each year. Looking at five large states, for a package of five commonly used drugs, the best-priced drug plan in January 2006 is among the worst deals for seniors today. In addition, over the last three and a half years, about a third of the plans dropped out or changed ownership, contributing to consumer confusion.

“In all five states, we found the lowest cost 2006 plan was now among the bottom one-fourth worst-priced in the state for the 5 drugs we studied,” said Bill Vaughan, CU Health Policy Analyst. “For Medicare beneficiaries who haven’t switched out of that plan or were unable to move to generic drugs, it is a financial disaster. The data shows that it is essential that Medicare beneficiaries review their plan at each fall’s open enrollment period. Our study and recent work for Kaiser Family Foundation shows that most people can clearly save large amounts of money by shopping more carefully.”

The extraordinary instability of prices in these privately run drug insurance plans underscores the need for Congress to include a publicly run health insurance option in any reform plan, so Americans can have the choice of more stable health coverage that doesn’t bait and switch or surprise with dramatic price increases.

“Without a stable, public plan health insurance option in health reform legislation, we’ll risk facing the same inherent price instabilities that we see in Medicare prescription drug plans, which are run entirely by private insurance companies,” said DeAnn Friedholm, Director of Consumer Union’s Health Reform Campaign. “A public plan option could anchor the health insurance market, allowing consumers to pick a plan and know it will be priced to serve as a stable, dependable source of health security.”

Consumers Union compared the pricing of five commonly used prescription drugs in drug plans offered in a sample of five states from January 2006 to June 2009. The drugs were thirty day doses of Altace (10 mg), Lipitor (10 mg), Celebrex (200 mg), Nifedipine ER (30 mg), and Zoloft (100mg), in plans in the states of California, Florida, Illinois, New York, and Texas. During this time, the cost of the plans increased by an average of

36% or more per state. Of each state's 10 best-priced plans in 2006, only two to four plans per state remained in the top 10 best-priced plans by June 2009. In other words, about 70% of the top ten plans failed to remain in the top ten over the 42 month period.

Most notably, the best-priced plan in January 2006 in four¹ out of five states had the greatest cost growth by mid-2009. So a senior who had chosen the best-priced plan in 2006 and stuck with it would have seen their costs dramatically increase, between 100 and 120 percent depending on the state. In fact, a senior in New York who had chosen that plan in 2006 would be paying \$2,482.00 more each year than they initially paid in 2006.

“It may be that some of the insurance company plans presented “loss leaders,” luring seniors to pick the best priced plan in 2006, and then significantly increased the prices, knowing that switching plans was too much of a hassle, and that seniors would not change plans.” Vaughan said, “If so, the companies bet correctly; nationally, only 1 million seniors of the 17 million Medicare Part D participants switched plans from 2008 to 2009.”²”

Consumers Union urges Congress to consider the lessons learned from the Part D program as it debates whether to add a public plan option to American's health coverage choices.

“We think a public plan coverage option will offer consumers the choice of a dependable, consistently priced insurance plan. Many consumers prefer price stability when they budget for health expenses, and we're finding that stability is hard to come by in the private drug insurance plans offered through Medicare,” said DeAnn Friedholm.

Consumers Union also offered some advice to seniors in Medicare Part D drug plans.

“In the meantime, as painful and tedious as it is, Medicare beneficiaries should check their Part D plan every year during the open enrollment season, otherwise they could find that the great plan they picked in 2006 has become a turkey by 2010, and they are wasting hundreds and even thousands of dollars,” Vaughan said. “In addition, consumers should not be bashful about asking their doctors about generics—huge savings are possible in most of these plans as brands become available in generic. And in general, a consumer can save hundreds of dollars by switching to mail order prescriptions.”

¹ In the fifth state it was the second best priced, after a plan that has now been discontinued.

² U.S. Government Accountability Office. “Medicare Part D: Opportunities Exist for Improving Information Sent to Enrollees and Scheduling the Annual Election Period,” GAO-09-4, December 2008.

Plans Remaining in the Top Ten by State

| State | Number of Plans that were the 10 best-priced in January, 2006, which are still among the 10 best-priced in June, 2009 |
|-------------------|--|
| California | 3 |
| Florida | 2 |
| Illinois | 4 |
| New York | 2 |
| Texas | 3 |

State by State 2006 Top Ten Best Priced Plans and the Change in Rank from 2006 to June, 2009.³

California:

| Plan Name and Rank 2006 | 2006 Plan's Rank in 2009 (and Increase in \$ amt) |
|--|--|
| 1. Humana PDP Complete (S5884-060) | 37 th of 45; \$2,434.00 |
| 2. Humana PDP Standard (S5884-090) | 9 th of 45; \$1,240.00 |
| 3. Humana PDP Enhanced (S5884-030) | 13 th of 45; \$1,155.00 |
| 4. SierraRx (S5917-008) | 26 th of 45; \$1,448.00 |
| 5. Medco Medicare Prescription Plan (S5660-032) | 15 th of 45; \$1,048.00 |
| 6. Advantage Star Plan by RxAmerica (S5644-084) | 2 nd of 45; \$645.00 |
| 7. Community CCRx Basic (S5803-101) | 14 th of 45; \$995.00 |
| 8. Advantage Freedom Plan by RxAmerica (S5655-064) | 7 th of 45; \$2,033.00 |
| 9. SilverScript Value (S5601-064) | 32 nd of 45; \$756.00 |

³ As of June 22, 2009

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|--|------------------------------------|
| 10. Aetna Medicare Rx Essentials (S5810-066) | 27 th of 45; \$1,923.00 |
|--|------------------------------------|

Florida:

| Plan Name and Rank 2006 | 2006 Plan's Rank in 2009 (and Increase in \$ amt) |
|---|--|
| 1. Humana PDP Complete (S5884-039) | 39 th of 50; \$2,229.00 |
| 2. Humana PDP Standard (S5884-069) | 9 th of 50; \$1,248.00 |
| 3. Humana PDP Enhanced (S5884-010) | 18 th of 50; \$1,191.00 |
| 4. AHC Prescription Drug Plan (S9086-001) | No data ⁴ |
| 5. AmeriHealth Advantage Rx Option 1 (S5783-004) | No data |
| 6. YourRx Plan (5660-101) [renamed Medco Medicare Prescription Plan Choice in 2009] | 15 th of 50; \$1,097.00 |
| 7. Aetna Medicare Rx Essentials (S5810-045) | 40 th of 50; \$1,643.00 |
| 8. Community CCRx Basic (S5803-080) | 7 th of 50; \$727.00 |
| 9. SilverScript Value (S5601-022) | 36 th of 50; \$1,479.00 |
| 10. Prescription Pathway Bronze Plan (S5597-076) | No data |

Illinois:

⁴ No data indicates that the plan was not among the list of prescription drug plans provided by the Medicare website, or if listed, no drug pricing information was provided.

| Plan Name and Rank 2006 | 2006 Plan's Rank in 2009 (and Change in \$ amt) |
|---|--|
| 1. Humana PDP Complete (S5884-050) | 36 th of 45; \$2,316.00 |
| 2. Humana PDP Standard (S5884-080) | 7 th of 45; \$1,113.00 |
| 3. Blue MedicareRX Standard (S5715-009) | 14 th of 45; \$1,075.00 |
| 4. Humana PDP Enhanced (S5884-020) | 18 th of 45; \$1,130.00 |
| 5. Blue MedicareRx Plus (S5717-006) | 28 th of 45; \$1,453.00 |
| 6. YouRx Plan (S5660-017) | No data |
| 7. Community CCRx Basic (S5803-086) | 2 nd of 45; \$677.00 |
| 8. SilverScript (S5601-034) | No data |
| 9. HealthSpring Prescription Drug Plan Reg 17 (S5932-016) | 1 st of 45; \$525.00 |
| 10. PrescribaRx Bronze (S5597-251) | 3 rd of 45; \$650.00 |

New York:

| Plan Name and Rank 2006 | 2006 Plan's Rank in 2009 (and Change in \$ amt) |
|---|--|
| 1. MedicareRx Rewards Value (S5960-039) | No data |
| 2. Humana PDP Complete (S5552-002) | 40 th of 47; \$2,482.00 |
| 3. Humana PDP Standard (S5552-003) | 19 th of 47; \$1,379.00 |
| 4. Humana PDP Enhanced (S5552-001) | 18 th of 47; \$1,687.00 |
| 5. First Health Part D-Premier (S5569-003) | 29 th of 47; \$1,519.00 |
| 6. YouRx Plan [in 2009 Medco Medicare Prescription Plan | 13 th of 47; \$892.00 |

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|--|------------------------------------|
| Choice] (S5983-001) | |
| 7. PrescripbaRx Bronze [in 2009 under Prescription Pathway Bronze] (S5825-045) | 5 th of 47; \$658.00 |
| 8. SilverScript Value (S5601-006) | 31 st of 47; \$1,365.00 |
| 9. Community CCRx Basic (S5803-072) | 10 th of 47; \$806.00 |
| 10. Health Net Orange Option 1 (S5678-003) | 12 th of 47; \$796.00 |

Texas:

| Plan Name and Rank 2006 | 2006 Plan's Rank in 2009 (and Change in \$ amt) |
|--|--|
| 1. Humana PDP Complete (S5884-050) | 38 th of 49 th ; \$2221.00 |
| 2. Humana PDP Standard (S5884-080) | 7 th of 49; \$1,316.00 |
| 3. Humana PDP Enhanced (S5885-020) | 14 th of 49; \$1,179.00 |
| 4. Blue MedicareRx Standard (S5715-009) | 13 th of 49; \$1,119.00 |
| 5. Blue MedicareRx Plus (S5715-006) | 26 th of 49; \$1,422.00 |
| 6. SierraRx (S5917-001) | 29 th of 49; \$1,364.00 |
| 7. YouRx [in 2009 Under Medco Medicare Prescription Plan Choice] (S5660-022) | 16 th of 49; \$1,003.00 |
| 8. Advantage Star Plan by RxAmerica (S5644-079) | 4 th of 49; \$635.00 |
| 9. Community CCRx Basic (S5803-091) | 2 nd of 49; \$555.00 |
| 10. Texas Health Spring Prescription Drug Plan (S5740-001) | No data |