



# Overview of the New Medicare-Endorsed Prescription Drug Discount Card Program

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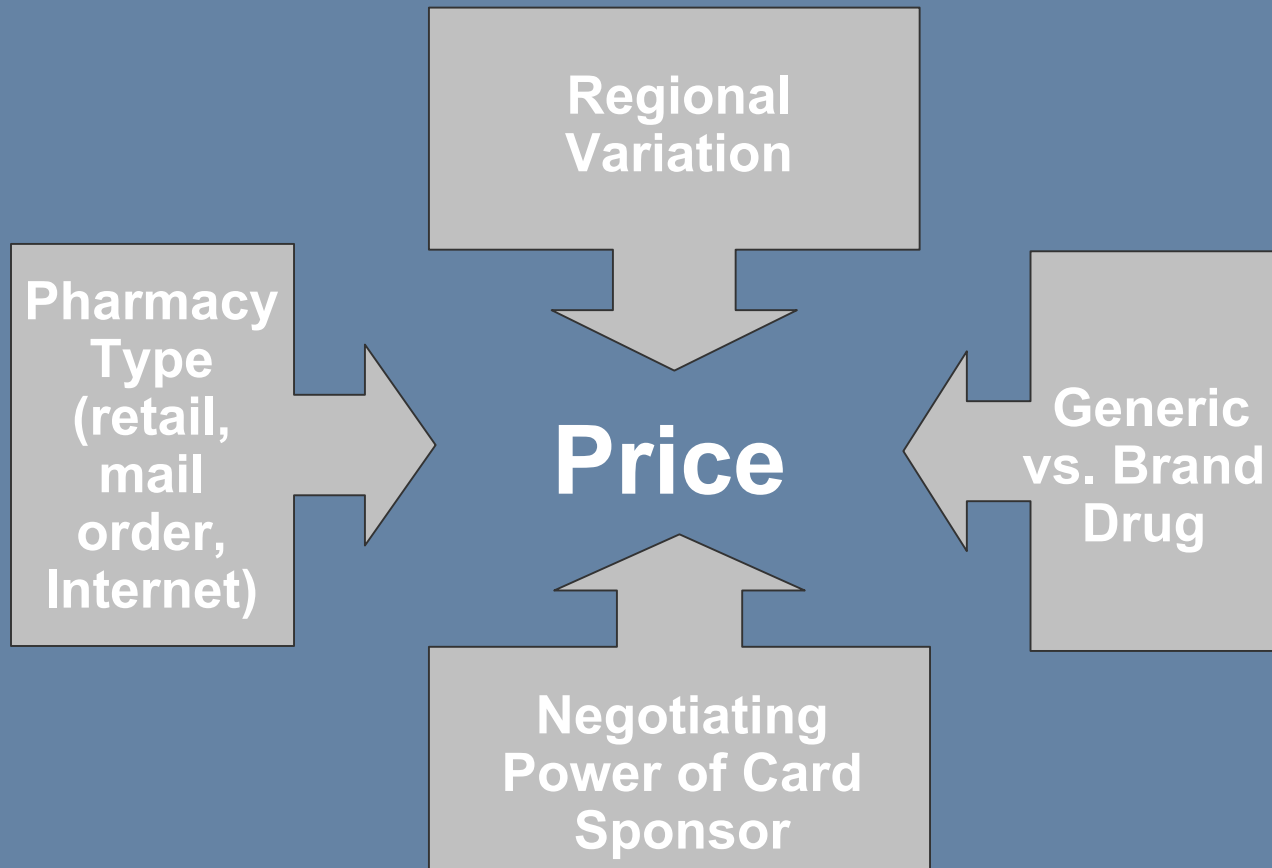
# What is a Prescription Drug Discount Card?

- **Commercial products that lower retail price of Rx drugs**
- **Target market: Consumers who have no or limited insurance coverage for prescription drugs**
  - Individual generally must sign up to enroll, may pay enrollment fee
- **Sponsors: Membership organizations (e.g., AARP, AAA); pharmacy benefit managers (PBMs); retail pharmacies; health plans; states; pharmaceutical manufacturers**
- **Operations: Sponsor or subcontracted PBM will—**
  - Negotiate with other entities in supply chain that affect retail price
  - Provide IT infrastructure to deliver negotiated discounts at point of sale when enrollee presents their card

# How Do Card Sponsors Secure Retail Price Discounts?

- **Card Sponsor (or PBM subcontractor)**
  - Negotiate rebates and/or discounts with pharmacies and manufacturers (if applicable)
  - Pass portion of rebates and discounts through to card holders; retain portion to cover own costs and profit
- **Retail Pharmacies**
  - Negotiate with card sponsor/PBM for inclusion in card's pharmacy network and level of dispensing fees and mark-up
- **Pharmaceutical Manufacturers**
  - Negotiate rebates with card sponsors for “preferred drug” status (if applicable, i.e., there is some form of drug list)

# Price Offered by Card Programs is Influenced by a Number of Factors



# Key Dates in Implementation of Medicare Drug Discount Card Program

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- Dec. 8, 2003: MMA is signed into law
  - Dec. 15: CMS publishes interim final rule for discount card program
  - Dec. 18-19: CMS holds pre-application conference for potential card sponsors and other interested parties
  - Jan. 14, 2004: Deadline for public comment on interim final rule
  - Jan. 30: Deadline for card sponsor applications to CMS
  - End of March: Card sponsor contracts finalized
  - April 1: Card sponsor information and outreach may begin
  - April 30: CMS launches Discount Card Price Comparison Web site
  - May 3: Card sponsors may begin enrollment
  - June 1: Discount card program begins
  - Nov. 15 - Dec. 31: Enrollees may elect to switch cards for 2005
  - Jan. 1, 2006: Part D benefit starts; discount card program ends
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# Concluding Thoughts and Questions

- **Nature of drug price disclosures—how well will beneficiaries understand and process drug pricing information?**
- **Will CMS-mandated “therapeutic categories” produce manufacturer rebates and thus added value for beneficiaries?**
- **Discount card program is “first date” between CMS and pharma industry—What expectations will be set?**
  - Strong interest from potential card sponsors & drug manufacturers
  - Opportunity in marketing of card and establishing brand visibility
  - CMS balancing regulatory oversight and incredibly fast “go-live” imperative, while also learning about very complex industry
  - Both partners building relationship needed for success of Part D