

Mark McClellan, M.D., Ph.D.
Administrator
Centers for Medicare & Medicaid Services

Drug Card Conference Remarks

April 7, 2004

Thanks for inviting me to help kick off this very important conference. And thank you, Gail for that nice introduction. Gail and many of the other CMS staff like Tim Trysla, Michael McMullen and Ana Nunez-Poole, have worked tirelessly on the passage of this major new Medicare legislation, to help make sure we get it right, and then launched straight into working tirelessly on its implementation—including issuing the regulations for the drug card just days after the bill was signed into law. It's a privilege to be part of such a dedicated and professional team at such a critical time for the Medicare program.

And, it is truly a critical time. Thanks to the leadership shown by President Bush, Secretary Thompson and bipartisan members of Congress, we have the most important

improvements to the Medicare program since its inception in 1965. These important new voluntary benefits, like coverage for prescription drugs, bring Medicare into the 21st century and will allow beneficiaries to get more out of Medicare—much more assistance with health care costs, more help getting high-quality care and more control over how they get their health care delivered.

But we have a great challenge before us. We need to bring all of these new benefits to seniors and persons with disabilities, particularly those with limited means and great medical needs who are struggling with high health care costs today. And that's why my deepest thanks go to all of you. Because you all will play an enormous role in making sure that as many people as possible get relief with their drug costs as quickly as possible.

We all know that help is long overdue. For many years, there's been talk about how Medicare has fallen behind, leading America's seniors and persons with disabilities too often to pay the highest prices in the world and get no help at all when it comes to their prescription drug costs.

I've seen the consequences in my medical practice, with Medicare beneficiaries having to skip doses and delay refills or cut pills in half. I've seen the consequences when I was at FDA, as our citizens have felt they have no choice but to purchase drugs from outside our nation's comprehensive systems for assuring the security, safety, and effectiveness of their prescription drugs. Americans should not have to choose between safety, effectiveness, and affordability.

This has gone on for years, far too long. But now, right now, working together, we can start to change it- not in 2006, not next year, but starting next month. This new Medicare drug discount card represents a fundamental change in how Medicare helps seniors buy drugs. I'm going to talk more about how in just a few minutes. But the bottom line is, Medicare beneficiaries will be able to band together to use their purchasing power to get lower prices, and they will also have the ability to quickly find the best prices for their medicines. As a result, they never again have to walk into a drug store on their own, with no help at all. And it's a critical step on the way toward an overdue drug benefit in Medicare.

The new, voluntary, drug card is an especially important and overdue option for more than a third of seniors and close to half of all older women with limited, fixed incomes. Millions of these seniors and persons with disabilities will qualify for a \$600 subsidy. And, they won't have to pay any annual card membership fees.

It's important to keep in mind that the card offers more than lower drug prices and, for millions of beneficiaries, direct assistance with drug costs. Lower drug prices are a great start, but the card makes it possible to do even more to save money on drug costs. The drug price information on the card makes it possible to look at alternative choices for similar drugs that may be lower in cost such as using generics. Generic drugs are just as safe and effective as the brand name drugs...and they typically cost 70 percent less with no compromise in quality. We'll also provide information on similar drugs in the same drug class that may also be much cheaper, so that beneficiaries can ask their health care professional about saving money this way as well. And the card requires broad participation by a seniors' area pharmacies. There is no one better equipped to help beneficiaries through questions about their medicines and

safe ways to save then their neighborhood pharmacies. So we are providing new tools to beneficiaries, and the pharmacists and physicians and other health professionals who work with them, to take advantage of safe ways to save even more on their drugs.

So today, we are focusing on this most urgent task—to get this first stage of drug cost relief through the drug discount cards to beneficiaries immediately. Soon, we will need to gear up for the new voluntary choices for drug coverage starting in 2006. The new Medicare drug benefit will offer much more help, particularly to those with low incomes and high costs who need it most. For lower-income seniors on fixed incomes, including over half of all the women on Medicare, they will generally pay no premiums, no deductible and no more than \$5 for a prescription—and in most cases for generic or preferred drugs, they will only pay a buck or two.

And for all seniors who choose to sign up, the drug benefit due in 2006 will pay 75% of the cost of \$2000 in drug spending, after the \$250 deductible, plus the peace of mind of coverage for high drug expenses. And all seniors will get

lower prices for all of their drug purchases, because the drug benefit also allows them to get lower negotiated prices by banding together.

The additional relief through the drug benefit is coming. But right now, the drug card is here, and we need to inform seniors about these important new benefits and help those who choose to do so to sign up for them. And we know how important everyone in this room will be to that implementation process.

That's why both Secretary Thompson and I are excited to see as many of you from all over the country willing to help make a difference for millions of seniors and people with disabilities.

Your help is **critical**. We will succeed or fail on the local level, in every state, county, and community where our beneficiaries live.

It's you who are the local experts who seniors and their family members rely upon to get the straight facts about the new benefit and what is best for them.

This is going to be a real challenge for all of us. The scope of these changes and their impact on the lives of 41 million Americans is monumental. The job of implementing the enormity of these changes in six short months is unprecedented. And the Department is taking the scope of these changes very **seriously**. Fundamental to our success is helping teach our beneficiaries and their families all about those changes, beginning with the new discount card.

And that is why your work is so fundamentally important, and why this conference is so important. We intend to give you the tools and the information you need to better help our beneficiaries make informed choices. We expect that you will take this information back home and share it with everyone you work with, everyone else who will be involved in helping beneficiaries get the most out of the new benefits.

Our goal is clear, and urgent. We must assure that all who need this help and choose to accept it are enrolled as quickly as possible. If we succeed, millions of Americans will benefit. Our best estimates are that 7 million beneficiaries who are now struggling with drug costs will be eligible for the

\$600 subsidy this year and another \$600 subsidy next year. We need your help assisting as many of these people as possible to sign up. If we succeed, that well over \$8 billion in drug savings from the financial assistance, added to many billions more in savings from lower prices, and many billions more in other steps such as taking advantage of generic drugs. But it only happens if these millions of beneficiaries enroll in the best card for their needs, and that happens one beneficiary at a time.

For example, we have people here from Missouri. There are about 900 thousand Medicare beneficiaries in Missouri. Of these, there are about 200 thousand who don't have drug coverage that gives them lower prices now. Of those, about 175 thousand beneficiaries could qualify for about \$116 million dollars in financial assistance in 2004 and 2005, and many millions more in drug cost savings through lower prices. But only if they are able to learn about how these new benefits can help the most, and then only if they are able to choose a card and enroll quickly. And because seniors don't come from a cookie cutter, they deserve individual attention to make sure they're getting the most help.

And much of that help will come from volunteers. The Missouri SCHIP, for example has over 200 volunteers working with 90 local sponsoring organizations. And that is being repeated all around the country by the thousands of volunteers in other SHIPS, by our regional offices, by our REACH programs, and by so many other groups that do so much to assist seniors particularly those with limited means. There are 650 of you here today and you can reach so many more.

We are also looking to the health professionals--doctors, nurses, pharmacists-- in your communities to aid you in educating their patients about the help available with the discount card. We know from experience that when health professionals get involved, we can do a better job of reaching out.

Together, we can all help beneficiaries find the best choice of card for them. New, comparative information that will be available on www.medicare.gov and at 1-800-MEDICARE can really change the way seniors buy drugs, from guessing about where they can get the best deal to being empowered

to find the best bargains, as they are able to do for many other products and services in their daily lives.

These drug cards will change something else about how seniors buy drugs. For the first time they will not be alone in the marketplace. They will be able to use the power of large purchasing pools to leverage discounts from drug makers, just like many of you do through your insurance companies, and I do as a federal employee.

And, we are going to help them use this great purchasing power effectively, by giving them the information they most need. Seniors have told us what information they really want: where can they get the best price on the drugs they need?

That kind of comparative information on final prices is key in keeping drugs prices affordable for Medicare beneficiaries. First of all, the discount card programs must get rebates from the drug companies – along with other discounts – to help keep the costs low. Those sponsors with the most Medicare enrollees will be able to negotiate the best prices. Because the approved programs are competing for Medicare

beneficiaries, the card programs have a real incentive to pass the savings in the form of the lowest possible prices.

This comparative information is available to beneficiaries at the new prescription drug and other assistance program website at www-dot-medicare-gov. You will see a demonstration of this exciting new database in just a couple of minutes. But let me tell you what I like about it. A senior – or his son or daughter – or even grandchild – can log onto the website, set up a search using a zip code and list of drugs and find the discount card that will give them their drugs at the lowest price. But it will also show them other ways to lower their costs or find other programs that can help them – the \$600 credit from the federal government, a state sponsored program or Medicaid, a discount program from one of the drug companies, and how to use generic drugs in place of the expensive name brand drugs they may be using now.

This is where we are with the drug card at the moment:

- The website is live now
- Detailed information on prices and plans will be available at the end of the month

- Medicare recipients can sign up in May for the drug card and transitional assistance
- Discounts will begin in June
- Participants will re-enroll for the next year

We have a new pamphlet ready to mail to beneficiaries and a tip sheet for people helping beneficiaries who want to enroll in a card program or who need transitional assistance. In fact, there should be copies of the tip sheet available for you to take home. As I have mentioned, The new *Guide to Choosing A Medicare Approved Discount Card* is available on medicare-dot-gov. Printed copies should be available later this month.

We will also be launching another ad campaign effort later this month. The campaign is being conducted in both English and Spanish on television, radio and in newspapers across the county. The ads direct people to call 1-800-MEDICARE or log onto the website. And we are preparing for more and more calls – one of the reasons that we are providing more funding to your SHIPS. We are estimating that the toll-free line will get 12.8 million calls in 2004 – which compares to 5.6 million calls in 2003. Last year we had only about 380

operators and are expanding that to more than 13-hundred in the next month—we have over 900 today. We are taking this role seriously and expect you to do the same.

After we get beneficiaries informed about the program, and get all those who can benefit from what amounts to billions in new savings to sign up, we need to work together to protect seniors from fraud and false deals. Make no mistake: we will be watching closely and working with our partners in law enforcement to keep that from happening. We at CMS will monitor drug price changes to make sure that card sponsors don't engage in "bait and switch". If necessary, we can and will impose sanctions like freezing enrollment, fining the company or kicking them out of the program altogether. And you can help too, by letting us know about misleading behavior, and by letting seniors know. We will do all we can to help you get the word out about prices and quality in the program. If a drug card wants to succeed in keeping beneficiaries this year and next, and to establish good will for possibly attracting beneficiaries to their drug benefit in 2006, the only way they should succeed would be by offering consistently good and reliable deals to beneficiaries.

And while you're talking to beneficiaries about how they can get the most from the new drug discounts and the new financial assistance with drug costs, you might have opportunities to tell them about the other help that is coming for them soon – and let us know how we can work effectively with you to implement these programs as well.

There's lots more good things for beneficiaries in the new law. For the first time, Medicare is focusing on efforts to keep seniors healthy. Beginning next January, we will provide a "welcome to Medicare" physical. Medicare is also expanding the number of preventive benefits and even more will be available next year. In addition to making sure that seniors and people with disabilities get the right drug therapies they need, their doctors will be able to better coordinate the care they get. In the next couple of weeks we expect to announce a new pilot program that will provide us with the first steps in finding the best ways to coordinate care for people with chronic illnesses. This is no different than the way care is being coordinated by many health plans across the country.

In addition, for those seniors who choose to get their coverage through the private health plans in Medicare, now

called Medicare Advantage plans, the new law is designed to help make sure that these plans provide reliable, high quality benefits to all seniors. New funding is required by law to go to better benefits such as eyeglasses and hearing aids. We are also doing much more to encourage plans to focus on the most chronically ill beneficiaries who need the most help. In addition to getting immediate help with a discount drug card, beneficiaries will also get access to modern integrated health insurance plans, like PPO plans.

Starting in 2006, PPOs will offer drug coverage like that available to federal employees and many millions of Americans under age 65. This is a major addition to Medicare, and that's why later this spring we will be issuing proposed regulations and asking for comments and input from you on how to implement this new law as effectively as possible.

We need your partnership in all of this. And because it's so important, you all deserve much more than a plea and a pat on the back from us. That's why we have created so many tools to help you and our beneficiaries understand these changes. And that's why we've announced unprecedented

new funding to state health insurance and assistance programs – and you and your programs should be getting the details about those new dollars now. Last year we awarded \$12.5 million in grants to the ships. This year, we are increasing that amount to \$21.1 million, a 69 percent increase. And for next year we are proposing an even larger increase, to \$31.7 million. We are also going to provide additional help to other non-governmental groups that want to join us in getting the facts out and getting this new help to beneficiaries. We know that you need these new funds to do your job more effectively, by increasing and enhancing you staff and volunteers with more training and resources.

We are living through a unique time, a critical time. But for all that we need to accomplish in the next few months – and looking around the room and hearing from all of you, I am confident we will – I think the fundamental enhancements in our relationships with all of you are more than a passing moment. I haven't been at CMS long, but I've been here long enough to know and been in medical practice long enough to know that all health care is local, and the best way to help patients is by giving them the specific assistance that is best

for their particular needs and circumstances and preferences.

This isn't the start of a new relationship – you've been critical in providing these services for many years. But, for the sake of beneficiaries' health, we need to work together more closely and more extensively than ever before. As part of this new level of effort and partnership, we want to hear from you about how you're doing – and how we're doing. We intend to provide you with more and better tools than ever to help educate seniors, people with disabilities, family members, the people you work with. Since you are in a position to know better than any of us what is working and what is not in achieving our shared goal, I am urging you to let us know when we are heading down the wrong road. If you – or they – need more information, or different information than we have available right now, you need to let us know. You can send your ideas to us at www.websitefeedback@cms.hhs.gov , or you can contact your local CMS regional office.

Once again, I am glad to see you all here. I know how busy you are, and how challenging your job is even without all of

these new initiatives. I want you to know how deeply those of us at CMS appreciate what you are doing. This will be a jam-packed couple of days for you. We hope we are providing you the information you need to do your jobs—we know it will be challenging. I think it will also be satisfying and rewarding – because you are going to make a difference in the lives of millions of Americans who truly need our help. Everyone has been revving up to get started and now it's time. Let's get going – together. Thank you very much.