



# Rhetoric versus Reality: Comparing Medicare Part D Prices to VA Prices

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In January 2007, Families USA released *No Bargain: Medicare Drug Plans Deliver High Prices*. The report compared the lowest prices for drugs offered by Medicare Part D plans to the lowest prices obtained by the Department of Veterans Affairs (VA). We found that for the 20 drugs most commonly prescribed to seniors, the top five Part D insurers charged prices that were substantially higher than those obtained by the VA. The median price difference was an astounding 58 percent (see table on page 3). The report concluded that the Medicare program needs to be allowed to bargain directly with drug companies for better prices.

The accuracy of the data presented in that report has never been questioned. Defenders of the current structure of the Medicare drug program, however, have challenged the validity of comparing prices offered by Part D plans to those obtained by the VA. They claim that the VA system is far more restrictive than Part D plans and therefore does not provide a meaningful comparison with Part D. In fact, although a system of direct negotiation under Medicare would likely differ from the VA in some ways in order to meet the needs of Medicare beneficiaries, criticisms of the VA system's drug coverage are unfounded.

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**MYTH** Access to drugs in the VA system is limited to those drugs on the VA National Formulary.

**FACT** Like nearly all insurers, the VA uses a formulary. However, the VA also covers drugs not on its formulary. People receiving care in the VA system who need drugs that are not on the VA formulary can obtain those drugs through a straightforward waiver process. In addition to the 4,778 drugs on the VA formulary, in 2006, the VA dispensed prescriptions for 1,416 drugs not on the VA formulary.<sup>1</sup> This resulted in millions of prescriptions for non-formulary drugs being filled, including 711,138 prescriptions for Lipitor, 369,783 prescriptions for Zetia, and 366,375 prescriptions for Protonix.<sup>2</sup>

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**MYTH** The VA formulary is overly restrictive.

**FACT** Part D plans also have formularies, which often are actually more restrictive than the VA formulary. Almost half of the Part D plans Families USA studied for *No Bargain* excluded at least one of the top 20 drugs prescribed to seniors. Moreover, Part D plans use other methods that restrict beneficiary access to prescription drugs. For example, Part D plans can impose quantity limits, require enrollees to pay large copayments, and restrict access through utilization review or prior authorization.<sup>3</sup> The VA charges only a small copayment per prescription and rarely imposes restrictions on the use of drugs.<sup>4</sup>

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**MYTH** The VA covers only a fraction of those drugs offered by Part D plans.

**FACT** Defenders of Part D have mistakenly claimed that the VA covers only 1,300 drugs. This number is misleading because it ignores the fact that many drugs come in multiple dosages and forms. When counting how many drugs are covered by either the VA or Part D plans, the method normally used is to count each dosage of each drug separately. So, for example, if Drug A is available in five dosage levels, it gets counted five times. Using this method of counting, the VA formulary actually covers 4,778 separate drugs, approximately 478 more than the average of 4,300 drugs covered by Medicare Part D plans.<sup>5</sup>

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**MYTH** The VA system fails to meet patient needs.

**FACT** An overwhelming majority of VA physicians report that the formulary allows them to prescribe drugs that meet their patients' needs.<sup>6</sup> Patients themselves also believe that their needs are being met: Access to drugs is an issue in less than one-half of one percent (0.4 percent) of veterans' complaints about the VA health system.<sup>7</sup>

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<sup>1</sup> Michael A. Valentino, *Overview of the VA Pharmacy Benefits Management Strategic Health Group (PBM)*, U.S. Department of Veterans Affairs, Presentation at the American Enterprise Institute, January 19, 2007, available online at: [http://www.aei.org/docLib/20070123\\_ValentinoPowerpoint.pdf](http://www.aei.org/docLib/20070123_ValentinoPowerpoint.pdf).

<sup>2</sup> Ibid.

<sup>3</sup> Families USA, *No Bargain: Medicare Drug Plans Deliver High Prices* (Washington: Families USA, January 2007).

<sup>4</sup> Institute of Medicine (IOM), *Description and Analysis of the VA National Formulary* (Washington: IOM, June 2000).

<sup>5</sup> Michael A. Valentino, op cit.

<sup>6</sup> Government Accountability Office (GAO), *VA Drug Formulary: Better Oversight Is Required, but Veterans Are Getting Needed Drugs*, GAO-01-183 (Washington: GAO, January 2001).

<sup>7</sup> Institute of Medicine, op cit.

**Prices for the Top 20 Drugs Prescribed to Seniors:  
Department of Veterans Affairs (VA) versus Plans from Top Part D Insurers, November 2006**

Drug Name	Strength	Dose Form	Lowest VA Price Per Year	Lowest Part D Price Per Year	Percent Difference
Actonel	35 mg	tab	\$ 372.24	\$ 763.56	105%
Aricept	10 mg	tab	\$ 1,058.69	\$ 1,561.44	47%
Celebrex	200 mg	cap	\$ 632.09	\$ 946.44	50%
Fosamax	70 mg	tab	\$ 250.32	\$ 763.56	205%
furosemide	40 mg	tab	\$ 7.81	\$ 15.24	95%
Lipitor	10 mg	tab	\$ 520.49	\$ 785.40	51%
Lipitor	20 mg	tab	\$ 782.44	\$ 1,120.32	43%
metoprolol tartrate	50 mg	cap	\$ 10.84	\$ 16.20	50%
Nexium	40 mg	cap	\$ 848.45	\$ 1,433.16	69%
Norvasc	5 mg	tab	\$ 315.84	\$ 486.48	54%
Norvasc	10 mg	tab	\$ 448.88	\$ 667.56	49%
Plavix	75 mg	tab	\$ 989.36	\$ 1,323.24	34%
Prevacid	30 mg	cap DR	\$ 332.71	\$ 1,444.32	334%
Protonix	40 mg	tab	\$ 214.52	\$ 1,148.40	435%
Toprol XL	50 mg	tab	\$ 167.22	\$ 263.16	57%
Toprol XL	100 mg	tab	\$ 250.06	\$ 395.52	58%
Xalatan	0.005%	sol	\$ 427.08	\$ 582.96	36%
Zocor	20 mg	tab	\$ 127.44	\$ 1,485.96	1,066%
Zocor	40 mg	tab	\$ 191.16	\$ 1,485.96	677%
Zoloff	50 mg	tab	\$ 465.91	\$ 819.96	76%
<b>Median Percent Difference</b>					<b>58%</b>

**Note:** Annual prices are calculated based on the price posted by the Part D plans and the Department of Veterans Affairs in November 2006. Prices listed for Zocor and Zoloff are for brand-name versions of these drugs.

**Sources:** VA prices are from the VA pharmacy benefit manager (PBM) and the VA's list of national contracts. These prices were collected online through [www.pbm.va.gov](http://www.pbm.va.gov) during the last week of November 2006. For each drug, the VA price shown is the lowest price for that drug on any one of several price schedules negotiated and maintained by the Department of Veterans Affairs (the Federal Supply Schedule, the Restricted Federal Supply Schedule, the Big4 pricing schedule, or the VA National Contracts).

Part D plan prices are from the Medicare Prescription Drug Plan Finder located online at [www.medicare.gov](http://www.medicare.gov), accessed the weeks of November 20 and 27, 2006.

Prices shown are the prices reported by the largest Part D insurers in Region 5 (DC/DE/MD), where we used zip code 20906 for the Washington/Baltimore metro area, and for Region 14 (OH), where we used zip code 45206 for Cincinnati. Prices presented here include both mail order and retail prices.

The drugs are the 20 drugs most frequently prescribed to seniors in the Pennsylvania PACE program in 2004.



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