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INDEPENDENT

January 10, 2005

The Honorable David M. Walker
Comptroller General
U.S. Government Accountability Office
441 G Street, NW
Washington, DC 20548

Dear Mr. Walker:

The Medicare Prescription Drug, Improvement, and Modernization Act (MMA) of 2003 created a voluntary drug benefit under Medicare Part D, which becomes effective January 1, 2006. As an interim measure, the MMA established a prescription drug discount card program, which began in June 2004 and runs through December 2005. The purpose of the prescription drug discount card program is to help Medicare beneficiaries gain access to prescription drugs at a lower cost. Additionally, some low-income Medicare beneficiaries receive a $600 annual subsidy, known as transitional assistance, to help pay for medications obtained through the prescription drug discount card program. While implementation and oversight responsibilities for the prescription drug discount card program lie with CMS, the cards are offered by "sponsors" — private organizations that meet the qualifications and requirements set forth in the legislation, and are approved by CMS. There are currently 27 national card sponsors (excluding those that offer prescription drug coverage to Medicare beneficiaries enrolled in their managed care plans).

I believe there are important lessons to be learned from the prescription drug discount card program that will be critical to the implementation, monitoring, and evaluation of the Part D benefit. As such, I am asking GAO to investigate three aspects of the drug card program. These areas are:

1. CMS's Implementation and Oversight of the Prescription Drug Discount Card Program

I am requesting that GAO investigate CMS's policies and in terms of selection of drug card sponsors, contracting with companies involved in the drug card program, and monitoring and evaluating the services offered by drug card sponsors. Please provide a detailed evaluation of the process used by CMS to approve drug card sponsors (as well as any problems with this process) and the contracting process involved in hiring companies to support the drug benefit program (including companies that provided educational services to Medicare beneficiaries).

Finally, please provide me with detailed information on CMS oversight of drug card sponsors, including enforcement efforts by CMS to ensure that drug card sponsors are providing accurate information and appropriate services and savings to Medicare beneficiaries.

2. The Value of Prescription Drug Discount Cards Provided to Medicare Beneficiaries

I am requesting that GAO examine the value provided to Medicare beneficiaries by Medicare drug cards, and whether some prescription drug discount cards offer greater value to Medicare beneficiaries than do others. As part of this inquiry, please examine card sponsors' contracting practices with manufacturers and pharmacies (especially price negotiation), the extent to which sponsors pass negotiated discounts on to seniors, the pharmacy management practices (e.g., use of formularies, drug utilization reviews, availability of mail order, quantity limits) of drug card sponsors, and the management of low-income Medicare beneficiaries' subsidies by drug card sponsors.

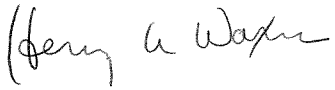
3. CMS's Responsibilities for and Oversight of Medicare Beneficiary Education

I am requesting that GAO review CMS's responsibilities for and oversight of Medicare beneficiary education about the prescription drug discount cards. Please assess the roles and responsibilities of CMS, card sponsors, and others in the education of Medicare beneficiaries, the mechanisms used to provide education, the content of information provided to beneficiaries, and the accuracy of the information provided

Medicare beneficiaries' experience with the drug cards can provide important lessons for the Medicare program as it gears up to offer the more extensive drug benefit in 2006. For this reason, I also request that GAO include recommendations for the benefit based upon your findings in each area.

Because this is a complicated request, I recognize that your staff may determine that it is appropriate to provide GAO's findings in multiple reports. If you have any questions, please have your staff contact Brian Cohen of my staff at (202) 225-5051.

Sincerely,



Henry A. Waxman
Ranking Minority Member