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2157 RAYBURN HOUSE OFFICE BUILDING

WASHINGTON, DC 20515–6143

MAJORITY (202) 225–5074
FACSIMILE (202) 225–3974
MINORITY (202) 225–5051
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FOR MORE INFORMATION, CONTACT:
Karen Lightfoot/Molly Gulland: (202) 225-5051

Three New Reports Show Medicare Drug Prices Rising Rapidly; Indicate CMS Had Warning of Problems Plaguing Transition

WASHINGTON, DC — Rep. Henry A. Waxman today released three reports on the new Medicare drug plans. The reports show: (1) Medicare drug plans have raised prices for popular brand-name drugs by more than 4% in recent weeks; (2) Medicare drug plans now charge 14% more for these drugs than the widely discredited Medicare drug cards previously charged; and (3) Medicare drug card providers negotiated at best minimal discounts from drug manufacturers. One of the reports also finds that the Centers for Medicare and Medicaid Services (CMS) had advance warning that its systems would not be able to reconcile enrollment and eligibility data satisfactorily during the January 1 transition period for low-income seniors.

"These findings confirm what seniors are discovering: drug prices under the new Medicare drug plans are too high and they are rising too fast," said Rep. Waxman. "The Medicare drug bill was written to enrich the drug companies, not to provide seniors with a cost-effective new benefit. And the Bush Administration's mismanagement and incompetence has made the problems even worse."

The first report, *Medicare Drug Plan Prices Are Increasing Rapidly*, analyzes changes in drug prices offered by the new Medicare plans during the first seven weeks of the program. The report finds widespread, rapid, and significant price increases. According to the report, prices for the ten most popular drugs used by seniors increased by an average of over 4% between December 2005 and mid-February 2006. One plan increased prices for the ulcer drug Nexium by over 60%. The Medicare price increases are significantly greater than the increases in comparable benchmarks over the same time period. This report was prepared by the minority staff of the House Committee on Government Reform.

The second report, *Medicare Drug Plan Prices Are Higher than Medicare Drug Card Prices*, compares the prices currently being offered by the new Medicare drug plans with the prices previously charged by the Medicare drug card program. It makes the surprising finding that the new Medicare drug plans are offering prices that are significantly higher than the prices charged

last year by the widely criticized Medicare drug cards. This report was also prepared by the minority staff of the Government Reform Committee.

The third report, *Medicare: Sponsors' Management of the Prescription Drug Discount Card and Transitional Assistance Benefit*, provides further detail about the Medicare drug card program, which was in operation from June 1, 2004, through December 31, 2005. This report was prepared by the Government Accountability Office for Rep. Waxman. The GAO report and accompanying work papers reveal that the private sponsors of the Medicare drug cards were at most able to negotiate only miniscule discounts of 3% to 5% from drug manufacturers.

The GAO report also finds that the drug card sponsors "experienced problems with the ... enrollment process" for providing low-income assistance, including problems "reconciling enrollment and eligibility data with CMS." According to GAO, the drug card sponsors reported that the CMS verification system contained inaccurate information about whether individuals were entitled to assistance; that the eligibility data of drug card sponsors frequently differed from the CMS eligibility data; and that CMS failed to provide adequate guidance about which drugs were or were not covered under the drug card program. These are many of the same problems now plaguing the transition to the new Medicare drug plans.

For more information, please visit http://www.democrats.reform.house.gov