

# Medicare's drug plan: huge price disparities for common cancer drugs

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The editors of *Community Oncology* chose seven oral cancer drugs and asked the authors to analyze differences in pricing among the drugs within three communities, each market a different size. The drugs are anastrozole (Arimidex), exemestane (Aromasin), imatinib (Gleevec), sunitinib (Sutent), erlotinib (Tarceva), temozolomide (Temodar), and thalidomide (Thalomid). The markets are Chicago, Illinois; Portland, Oregon; and Virginia Beach, Virginia. The results of this small study offer a stark illustration of the difficult nature of Medicare's Part D program.

Physician practices—especially those working with geriatric populations—are deluged with requests for advice about the Medicare drug plans that were introduced last year. Although a few consumer sites provide comparative Medicare drug plan pricing data, relatively few seniors have the tools and skills to pursue and make sense of Web-based information. Still, transparency in pricing can help seniors make buying decisions, which is critical for this population.

Dozens of Medicare drug plans operate within each American market, offering an array of premiums, deductibles, co-payments, and pharmacy networks. Despite a minimum standard formulary, drug plans host vastly different medication lists, with dramatic differences in prices for drugs off and on the plans' formularies. The drug plan enrollment period is set to occur only once each year, from November 15 to December 31. Although appeals are possible to cover specific drugs when a patient's condition changes, once enrolled, seniors typically cannot switch plans for another year.

The non-profit organization, Coalition to Advance Prescription Drug Education (CARxE), provides free tools that allow seniors and their caregivers to determine which Medicare drug plan best fits their needs. A senior visiting the CARxE Web site ([www.CARxE.com](http://www.CARxE.com)) enters a zip code and his or her medications and receives a listing of drug plans operating in that zip, the cost of those drugs—including the premium, deductible, co-payment, and total out-of-pocket expense—and each plan's network pharmacies. In other words, the CARxE tool makes it easy to readily identify the least expensive

plan for the senior's drugs as well as the locations where he or she can get them.

This analysis is possible because Medicare drug plans are required to provide the Centers for Medicare and Medicaid Services with monthly uploads of current pricing for all on- and off-formulary drugs. CARxE and other organizations routinely download these data. This allows consumers to identify the plans that offer the best pricing (ie, total out-of-pocket price) for each drug and to track drug plan pricing variation within and across markets, at a specific moment and over time.

## Cancer drug study

For *Community Oncology*, we studied cancer drug pricing for Medicare's 2006 plans in three communities—Chicago, IL, Portland, OR, and Virginia Beach, VA—each market a different size and in a different part of the country. The *Community Oncology* Editorial Board chose seven oral cancer drugs for review: Arimidex (anastrozole), Aromasin (exemestane), Gleevec (imatinib), Sutent (sunitinib), Tarceva (erlotinib), Temodar (temozolomide), and Thalomid (thalidomide).

This study is admittedly limited: seven oral drugs in three markets. It could be argued that the numbers are not robust enough to make sweeping statements about drug plan pricing nationally.

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**TABLE 1**

Medicare drug plan pricing in three markets: drugs on all formularies

Trade name (generic name)	Market	Number of plans	Lowest price	Highest price	Average price	Ratio of highest to lowest price	High/low \$ difference
Arimidex (anastrozole)	Chicago	42	\$976.47	\$1,828.20	\$1,355.78	1.87	\$851.73
	Portland	45	\$1,000.80	\$1,725.24	\$1,370.65	1.72	\$724.44
	Virginia Beach	41	\$1,017.60	\$1,842.46	\$1,402.83	1.81	\$824.87
Aromasin (exemestane)	Chicago	42	\$980.54	\$1,846.18	\$1,395.97	1.88	\$865.64
	Portland	45	\$1,025.66	\$1,890.20	\$1,413.43	1.84	\$864.54
	Virginia Beach	41	\$1,055.84	\$1,860.24	\$1,444.20	1.76	\$804.40
Gleevec (imatinib)	Chicago	42	\$1,458.12	\$5,801.51	\$5,318.56	3.98	\$4,343.39
	Portland	45	\$1,334.16	\$5,800.91	\$5,316.55	4.35	\$4,466.75
	Virginia Beach	41	\$1,418.16	\$5,844.35	\$5,346.37	4.12	\$4,426.19
Tarceva (erlotinib)	Chicago	42	\$1,458.12	\$5,824.80	\$5,350.61	3.99	\$4,366.68
	Portland	45	\$1,334.16	\$5,824.20	\$5,351.39	4.37	\$4,490.04
	Virginia Beach	41	\$1,418.16	\$5,867.64	\$5,375.85	4.14	\$4,449.48

But it should be remembered that the pricing behaviors described here reflect the business tactics of a relatively small number of corporations active in many markets and so are representative of drug plans operating around the country.

**Results**

Table 1 displays the results of the four drugs found on all drug plan formularies. Table 2 shows the results

for the three drugs that are on some formularies but not on others. And Table 3 shows the pricing differences between the highest costs for off-formulary drugs and their lowest on-formulary costs.

Even when cancer drugs are on every plan's formulary, there is significant pricing variation within markets. In the most modest example in this study, Arimidex in Portland, the highest cost plan was 72% higher than the

lowest, a \$724 difference. The pricing differences were far more extreme for Tarceva, where, in the same market, the highest and lowest priced plans were 337% (or \$4,490) apart. But in all cases, drug plan pricing variation is high. There is little question that careful shopping can translate into big savings.

But pricing becomes significantly more variable when drugs may or may not be on a plan's formulary. On-for-

**TABLE 2**

Medicare drug plan pricing in three markets: drugs on and off formularies

Trade name (generic name)	Market	Number of plans	Lowest price	Highest price	Average price	Ratio of highest to lowest price	High/low \$ difference
<b>On formulary</b>							
Sutent (sunitinib)	Chicago	21	\$7,167.36	\$7,994.18	\$7,590.76	1.12	\$826.82
	Portland	23	\$7,130.88	\$8,063.57	\$7,567.03	1.13	\$932.69
	Virginia Beach	25	\$7,193.52	\$8,058.55	\$7,618.21	1.12	\$865.03
Temodar (temozolomide)	Chicago	10	\$5,085.22	\$5,504.40	\$5,299.98	1.08	\$419.18
	Portland	13	\$5,014.70	\$5,504.28	\$5,258.81	1.10	\$489.58
	Virginia Beach	12	\$5,195.51	\$5,659.60	\$6,914.76	1.09	\$464.09
Thalomid (thalidomide)	Chicago	37	\$1,458.12	\$7,623.87	\$7,603.10	5.23	\$6,165.75
	Portland	38	\$1,334.16	\$7,623.27	\$6,911.79	5.71	\$6,289.11
	Virginia Beach	35	\$1,418.16	\$7,666.71	\$6,939.13	5.41	\$6,248.55
<b>Off formulary</b>							
Sutent (sunitinib)	Chicago	21	\$81,194.26	\$89,970.32	\$87,703.89	1.11	\$8,776.07
	Portland	22	\$81,108.10	\$89,969.72	\$87,459.20	1.11	\$8,861.63
	Virginia Beach	16	\$81,588.06	\$90,013.16	\$86,797.92	1.10	\$8,425.10
Temodar (temozolomide)	Chicago	32	\$32,630.48	\$35,286.30	\$34,765.07	1.08	\$2,655.82
	Portland	29	\$32,609.12	\$35,285.70	\$34,753.93	1.08	\$2,676.58
	Virginia Beach	32	\$32,634.20	\$35,329.14	\$72,508.14	1.08	\$2,694.94
Thalomid (thalidomide)	Chicago	5	\$69,492.31	\$74,576.98	\$72,508.14	1.07	\$5,084.66
	Portland	7	\$69,316.64	\$74,633.98	\$72,001.34	1.08	\$5,317.33
	Virginia Beach	6	\$70,307.40	\$74,609.38	\$72,430.79	1.06	\$4,301.98

TABLE 3

Pricing differences: highest cost off formulary vs lowest cost on formulary

Trade name (generic name)	Market	Ratio of highest price off formulary to lowest price on formulary	High/low \$ difference
Sutent (sunitinib)	Chicago	12.6	\$82,802.97
	Portland	12.6	\$82,838.84
	Virginia Beach	12.5	\$82,819.64
Temodar (temozolomide)	Chicago	6.9	\$30,201.08
	Portland	7.0	\$30,271.00
	Virginia Beach	6.8	\$30,133.63
Thalomid (thalidomide)	Chicago	51.1	\$73,118.86
	Portland	55.9	\$73,299.82
	Virginia Beach	52.6	\$73,191.22

mulary, the pricing difference among plans for Sutent, for example, remains “modest”—12%–13% or \$827–\$933 in the three markets we checked. But when it is off formulary, Sutent's price catapults to \$81,108–\$90,013, more than a ten-fold increase from its on-formulary levels.

The pricing differences between on- and off-formulary drugs are even more astounding for Thalomid. As Table 3 shows, the differences between the highest-cost off-formulary pricing and the lowest-cost on-formulary pricing ranged 51–56 times depending on the market, or a little more than \$73,000.

It is important to note that, in some cases, substitute drugs can replace those chosen for evaluation in this study, and they may be on formulary. For example, Revlimid (lenalidomide) may be substituted for Thalomid. Similarly, Nexavar (sorafenib) may be an acceptable alternative to Sutent for kidney cancer patients. For patients with gastrointestinal stromal tumors, however, there is no competitor to Sutent. And Temodar has no oral competitors.

Drug plan pricing also appears to be generally consistent within corpo-

rations and reflective of each organization's business model. For example, we identified the three lowest price plans for each drug in each market and found that 63 plans, sponsored by 15 corporations, were represented at least once. But three corporations accounted for 64% of the eight best-priced plans: Humana (40%), United (13%), and Blue Medicare Rx (11%). In other words, these companies appear to pursue more aggressive drug pricing strategies that emphasize product volume over unit margin, at least in this drug category.

It should be noted that the high drug pricing variations found in this study reflect a window of time during the last half of 2006, in the earliest days of the Medicare drug plan program. Our understanding is that some plans may alter their pricing strategies in 2007 and beyond. But at this point, there is little reason to believe that drug plan pricing variations will resolve significantly.

### Meeting the challenge

Under normal circumstances, choosing a Medicare drug plan is daunting for most seniors. For cancer patients, though, the disease, the

need for specific drug therapies, and the extreme costs involved all raise the stakes considerably.

Cancer professionals can develop expertise that helps patients navigate the financial as well as the clinical shoals that are part of the disease process. Practices, oncology associations, and cancer advocacy groups can access sites like [www.CARxE.com](http://www.CARxE.com) to review the region's drug plan formularies, so that physicians will be familiar with the most affordable drugs that match patient needs. As the end of the annual enrollment period approaches (enrollment runs from November 15 through December 31 of each year), practices can advise existing patients about plans that do and do not list their drugs on formulary, as well as which plans offer their drugs for the lowest total out-of-pocket price.

There are serious lessons here. Although Medicare Part D drug plans offer a powerful and important new coverage for seniors, they have serious pitfalls for the unwary consumer. An uninformed choice can result in thousands of dollars of unnecessary liabilities. A guess, or an assumption that pricing will be consistent across plans, can have costly consequences.

As advocates, oncologists and other clinicians can provide valuable assistance by becoming familiar with freely available informational tools that can help patients identify their best options.

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