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Agency Uncovers Problems in Drug Discount Program

By [ROBERT PEAR](#)

WASHINGTON, Nov. 30 - Congressional investigators said Wednesday that they had found serious, widespread problems in a government program that issued drug discount cards to 6.4 million Medicare beneficiaries, as a precursor to the full-fledged drug benefit that takes effect next year.

The problems included inaccurate and incomplete information - disseminated by the government and insurance companies - and improper use of the discount cards to buy barbiturates and certain other drugs, explicitly forbidden by Congress.

The Bush administration had said the discount cards would cut retail prices of prescription drugs by 10 percent to 25 percent. But the investigators, from the Government Accountability Office, said Medicare officials could not document the savings because "there was a lack of reliable data" on the price concessions obtained from drug manufacturers and pharmacies.

Of the 6.4 million people who received discount cards, 1.9 million had low incomes and therefore qualified for extra assistance, up to \$600 a year for each person. The administration had predicted that 4.7 million low-income people would sign up for such assistance.

The cards were issued by private entities - insurance companies and pharmacy benefit managers - known as drug card sponsors. The sponsors had contracts with the federal government, which endorsed their cards and regulated their operations. The Bush administration approved 39 national cards and 32 for specific regions.

Representative Henry A. Waxman, Democrat of California, who requested the study, said it was an ominous portent for the new drug benefit. "Continued lax oversight and enforcement will serve neither seniors nor the taxpayers," Mr. Waxman said, noting "fundamental similarities" between the drug card program and the drug benefit.

But Dr. Mark B. McClellan, administrator of the Centers for Medicare and Medicaid Services, defended the discount card program, saying it had produced significant savings for beneficiaries.

Moreover, he said, "we have learned many valuable lessons" that will be applied to the drug benefit next year.

In its report, the accountability office, a nonpartisan arm of Congress, made these points:

¶ Information about discount cards, posted on a government Web site and sent to beneficiaries, was often inaccurate. Many pharmacies listed as participating in the program did not do so. Beneficiaries complained that such pharmacies would not accept their cards.

¶ Insurance companies and pharmacy benefit managers frequently violated federal rules by sending out incomplete, inaccurate information about their own Medicare-approved discount cards.

¶ Financial audits of 15 drug cards found that the sponsors of all 15 cards had improperly used Medicare money to pay for barbiturates and other drugs they were forbidden to cover. Incorrect payments totaled \$1.3 million.

¶ Sponsors of five drug cards allowed beneficiaries to receive subsidies that exceeded the statutory maximum of \$600 a year.

¶ Enrollment was lower than expected because of "confusion and misperceptions about the drug cards among Medicare beneficiaries." The "abundance of choices" and the cards' uncertain value may have discouraged some people from enrolling.

¶ Telephone operators who took calls from beneficiaries displayed "confusion about the enrollment fees" charged for various discount cards.

Dr. McClellan, the Medicare official, acknowledged that the drug price data submitted by drug card sponsors included "many obvious reporting errors." But he said, "Most submissions are now accurate."

He said he would try to recover the amounts spent improperly under the discount card program. The "inappropriate payments represent only a tiny fraction" of all spending, he said.

The report said that Medicare's "telephone help line and Web site did not always provide the information beneficiaries needed to choose a card that was best for them." Many "found the Web-based information more perplexing than helpful," the report said.

The government received nearly 11,000 complaints from beneficiaries who had problems with the drug card program, and card sponsors received 15,000 complaints.

Medicare officials took disciplinary action against drug card sponsors in 23 cases. The actions included nine warning letters and one civil fine, imposed for repeated violations.

Dr. McClellan said the number of problems and complaints was relatively small, given the size of the program. "Millions of prescriptions have been filled, with only a tiny fraction of complaints or compliance issues," he said.

But Mr. Waxman said that unless corrected "the problems identified by the G.A.O. will undermine the new Medicare drug benefit, just as they did the drug card program."

The new program, like the old one, "requires seniors to choose a private plan from among dozens of choices, relies on private entities to negotiate drug savings and uses a complicated Web site to help seniors make their choices," Mr. Waxman said.