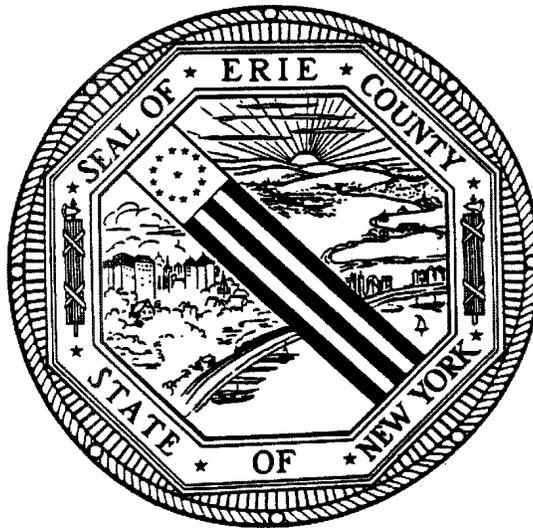


**COUNTY OF ERIE, NEW YORK
OFFICE OF THE COMPTROLLER**



**COMPTROLLER'S REVIEW
OF A POTENTIAL COUNTY-SPONSORED
PRESCRIPTION DRUG DISCOUNT PROGRAM**

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Introduction and General Background

One of the greatest challenges facing Erie County and this nation is the growing cost of health care, and a large component of the overall cost is the spiraling cost of prescription drugs. As most know, prescription drug costs have increased significantly during recent years. Between 1980 and 2003, US spending on prescription drugs rose from \$12 billion to \$197 billion.¹ According to the National Conference of State Legislatures, total spending on pharmaceutical drugs in 2008 is estimated at more than \$247 billion, with more than 120 million Americans regularly using one or more prescription drugs.² However, that estimate may be significantly low as *The New York Times* recently reported that the cost of drugs in the US in 2007 was \$286.5 billion.³

According to the National Association of Chain Drug Stores, on average, Americans aged 35 and younger fill less than five prescriptions a year; persons aged between 55 and 64 fill 20 prescriptions and people older than 75 average 30 prescriptions annually.⁴

The U.S. Census Bureau releases a report in August of every year detailing the income levels of the population and the number and percentage of Americans living in poverty and without health insurance. In 2007, the number of Americans without health insurance was 45.7 million, or roughly 15.3% of the population.⁵ While the number of uninsured Americans decreased, two findings in the report should cause concern for all governments in the country: (1) the percentage of Americans covered by some form of government health insurance programs increased to 83 million, or 27.8% in 2007, from 80.3 million or 27% in 2006; and (2) the number of people covered by Medicaid increased to 39.6 million, or roughly 13.2% of the population from 38.3 million or 12.9% in 2006.⁶

Additionally, the rate of uninsured decreased across almost all racial classifications, but the percentage per class fluctuates greatly by race and national origin. For example, in 2007, uninsured non-Hispanic Whites rates decreased to 10.4% from 10.8% in 2006, uninsured Blacks decreased to 19.5% from 20.5%, while uninsured Hispanics to 14.8 million from 15.3 million in 2006, though that percentage is approximately 32.1% of the entire Hispanic population.⁷

On September 22, 2008, *The Wall Street Journal* reported that the worsening US economy was leading Americans to drop or reduce their spending on prescription drugs, due to their inability to afford such pharmaceuticals. The article stated “Walgreen Co. Chief Executive Jeffrey Rein said the US is experiencing the ‘tightest prescription market’ in his 27-year career, as more cash-

¹ Prescription for Disaster: Drugs, Lies, and Greed, The Boston Globe, June 8, 2008.

² National Conference of State Legislatures, 2008 Prescription Drug State Legislation, <http://www.ncsl.org/programs/health/drugbill08.htm>.

³ Some Cut Back on Prescription Drugs in Sour Economy, The New York Times, October 22, 2008.

⁴ Drugstore Chains Closing in on Aging Baby Boomers, The Buffalo News, February 5, 2007.

⁵ Income, Poverty, and Health Insurance Coverage in the United States: 2007, U.S. Census Bureau, August 2008, pg 19.

⁶ Id. at pg. 20.

⁷ Income, Poverty, and Health Insurance Coverage in the United States: 2007, U.S. Census Bureau, August 2008, at 21.

strapped patients skip their pills or take half doses. He said the company has looked at different ways to get people to fill prescriptions. For example, pharmacists are reaching out to patients through phone calls and emotional appeals such as, "Do they want to be around when their kids grow up, or their grandkids?" Mr. Rein said."⁸

On October 22, 2008, *The New York Times* reported that due to the cost of prescription drugs and given the state of the economy, many Americans are utilizing fewer drugs than they need or are prescribed. The newspaper reported that to save money, Americans are stretching their pharmaceutical supplies, for instance using a 30-day supply over 45 days. The *Times* reported that the drop in prescriptions in 2008 was the first "after more than a decade of steady increases in prescriptions."⁹

To help address the growing gap and lack of pharmaceutical drugs available to Americans, some drug companies, drug store chain stores and state and local governments across the country have developed prescription drug discount card programs available to the public ("discount cards").

In September 2003, the United States Government Accountability Office ("GAO") published a report entitled "Prescription Drug Discount Cards: Savings Depend on Pharmacy and Type of Card Used."¹⁰ In the report, the GAO noted that as of 2003, discount cards were a relatively recent development in use for consumers, with most plans and programs developing only since the late 1990s. The report noted that pharmaceutical company-sponsored discount cards began in fall 2001.¹¹

The Office of Erie County Comptroller Mark C. Poloncarz recommends to the Erie County Executive and Erie County Legislature ("Legislature") that they sponsor and implement a prescription drug discount card program to all residents in Erie County.¹² Based on the experiences of local governments in New York State and across the nation that have implemented such programs, significant savings can be attained by county residents if such a plan was passed through reduced costs of providing prescription drug services through programs such as the Medicaid, Child Health Plus or Family Health Plus.

Government-Supported/Sponsored Prescription Drug Discount Card Programs:¹³

There are a myriad of national, state-wide and local discount card or related programs and options available to individuals and local governments across the country. According to the National Association of State Legislatures, 19 states maintain some form of prescription drug discount program for the elderly, uninsured or under-insured and at least 28 states have some form of discount program either in operation or authorized by law (but not yet operational).

⁸ Consumers Cut Health Spending as Economic Downturn Takes Toll, The Wall Street Journal, September 22, 2008.

⁹ Some Cut Back on Prescription Drugs in Sour Economy, The New York Times, October 22, 2008.

¹⁰ Prescription Drug Discount Cards: Savings Depend on Pharmacy and Type of Card Used, US Government Accountability Office Report to Congressional Requesters (GAO-03-912), September 2003.

¹¹ Id.

¹² This report has been produced by the Office of Erie County Comptroller Mark C. Poloncarz as an advisory guide for the Erie County Executive and Erie County Legislature. We offer this report to the Erie County's policymakers – the chief executive and legislative body – and to the residents of Erie County for informational purposes.

¹³ This report specifically does not address Medicare-endorsed prescription drug discount card programs.

Only a few state governments including [Wisconsin](#), [Oregon](#), [Washington](#), and [Arizona](#) have created and sponsor programs with no limits or restrictions. Many more states including [Florida](#), [Ohio](#), [Michigan](#), [Oklahoma](#), [Hawaii](#) and [Illinois](#) also maintain [senior citizen programs](#) or [resident programs with income restrictions](#). In all cases, a third party vendor or pharmacy benefit manager, such as [RxAmerica](#), [Envision](#), or [Caremark](#) administers the county and state programs. The participating local governments also occasionally hire a local third party administrator to facilitate the programs between the county and the vendor prescription provider.

The basic details of these discount cards are generally the same regardless of the provider or local government. Many but not all government-sponsored plans feature no cost to the participant, no cost to the local government, no forms to complete or participant information to provide, and various degrees of savings on name brand and generic drugs. Participants simply present a card at a participating drug store to receive savings. The vendor or pharmacy benefit manager negotiates discounts directly with the participating drug store chains. The cards, some of which require no participant information, can be collected at pharmacies, county and community centers or agencies, and in some cases, the vendors mail them directly to residents in consultation with the local government. The vendors handle all inquiries and questions and administer the program. Local government support/involvement in managing the programs is usually minimal or close to non-existent.

Local governments report that while discount cards are generally available to any person of any age, senior citizens are the largest consumers and users of the cards, often addressing Medicare Part D's "[doughnut hole](#)" gap.¹⁴ In some instances, the discount cards cannot be used in combination with other health insurance plans.

In most cases, a county government has established such programs. The [National Association of Counties](#) ("NACo") maintains a national discount card program with 57,000 participating pharmacies utilizing a vendor, Caremark, a subsidiary of the national drug store chain CVS. More than 1,060 NACo member counties around the country participate in the program. The NACo program through Caremark is provided as a benefit to members of NACo, of which Erie County is not a member. Only four (4) of the twenty three (23) counties in New York State that are NACo members participate in this program: Dutchess, Essex, Hamilton and Sullivan Counties.

NACo stated in September 2008 that participating member counties have saved "more than \$108 million on 9.6 million prescription medicine purchases at their local pharmacy" since the NACo-Caremark program began in 2004.¹⁵

¹⁴ The doughnut hole is the gap in coverage between the initial plan coverage limit and the catastrophic coverage threshold by which the beneficiary pays 100% of the cost of prescription drugs before the catastrophic coverage starts. According to *The New York Times*, in 2008, the doughnut hole opens when an individual's total pharmaceutical costs reaches \$2,510.

¹⁵ Press release issued by NACo via States News Service, [American Consumers Saving Millions on Medicine Costs Thanks to Counties – NACo](#), September 3, 2008.

Prescription Drug Discount Card Program Efforts in New York State:

While there has been advocacy for a New York State-sponsored, state-wide and unlimited discount card program, the State has not yet implemented such a program. In January 2007 Assemblyman Richard Gottfried introduced legislation ([A.03848B](#)) to establish a prescription drug discount card program for persons who meet income requirements but who are not eligible for Medicaid or other government programs. The bill passed the Assembly in June 2008 but the Senate has not taken action on a companion bill (S.8393).¹⁶ In spring 2008, a group of organizations including public sector labor unions, Consumers Union and the New York Public Interest Research Group expressed interest in a universal discount card program with no age or income restrictions. Nassau County Comptroller Howard Weitzman also encouraged such a discussion, but there has been no progress on this at a state-wide level.¹⁷

New York State has taken initial action to establish a discount card for persons aged between 50 and 64. The state's adopted 2008-2009 budget included a provision creating a discount card for middle-aged persons with no other insurance, and based on income requirements established in the state's Elderly Pharmaceutical Insurance Coverage ("EPIC") program. The program is scheduled to begin on April 1, 2009. Again, however, the program has age and income restrictions and is not universal.

In March 2005, New York City Mayor Michael Bloomberg signed legislation requiring the city to establish a discount card program for every city resident. The city's proposed program was prompted by a program in Nassau County (see more details below). However, the City has not yet established the program.¹⁸

The New York Association of Counties ("NYSAC") has endorsed a discount card program with 60,000 participating pharmacies in conjunction with [ProAct](#). According to ProAct, eleven (11) counties in New York State participate: Onondaga, St. Lawrence, Madison, Lewis, Fulton, Cayuga, Oswego, Seneca, Jefferson, Franklin, and Schenectady Counties.¹⁹ In most cases, these counties engaged in a relationship with ProAct through efforts fostered or led by their county legislative bodies.

[Nassau County's](#) discount program, [NassauRx](#), is administered by Caremark. That program, established in 2004 under the auspices of Nassau County Comptroller Howard Weitzman and approved by the Nassau County Legislature, is considered to be one of the most successful programs in the state and the country with significant resident participation and use.

Other county and local governments have established relationships directly with vendors to offer discount cards. Starting in February 2008, [Chautauqua County](#) engaged in a relationship with Caremark to offer the "Chautauqua County Prescription Discount Card." Starting in March

¹⁶ Information on each bill's status and terms can be viewed at <http://www.assembly.state.ny.us/leg/?bn=A03848> and <http://www.assembly.state.ny.us/leg/?bn=S08393>.

¹⁷ See "Nassau's Drug Plan Pitched for State." *Newsday*, April 4, 2008; and <http://www.nassaucountyny.gov/agencies/Comptroller/NewsRelease/2008/04-04-08.html>.

¹⁸ "Discount-RX Plan Still in Limbo 2 Years Later." *New York Post*, February 25, 2007.

¹⁹ See <http://www.proactrx.com/drugcard/>. Schenectady County's Legislature just approved starting a card on October 14, 2008.

2004, Monroe County engaged in a relationship with “The RxChoice Drugstore Savings Club,” a subsidiary of aClaim Inc., a pharmacy benefit manager from Greenville, South Carolina to offer the “[Monroe County Prescription Discount Plan](#).” That card is accepted at locations including Wegmans, Tops, CVS, K-Mart, Wal-Mart, Target, and Rite Aid. However, the plan and card is only available to persons aged 50 and older.

In 2004, Niagara County created a discount card program aimed primarily at the uninsured and under-insured. The program required participants to complete a form and provide information and pay \$15 per year for an individual or \$26 per year for a family. Reports state that only 20-25 individuals utilized the program. In July 2008, Niagara County re-launched the program, called [NiagaraRx](#), which is linked to and administered by Caremark in conjunction with a local firm, [LibertyCareRx/Arxcel](#).

[Tompkins County](#), [Chemung County](#), [Broome County](#) and [Westchester County](#) each maintain their own distinct county discount card program administered by Caremark. A number of other counties in New York State commenced discount prescription card programs in November 2007 with ProAct including: Onondaga, Cayuga, Oswego and Seneca Counties.

Examples of Savings:

As previously noted, in New York State some counties have established discount card programs. For those counties with programs, savings for local residents have ranged widely. Many counties have not publicly reported savings or enrollment data. Some counties have publicly bemoaned a lack of participation in their programs by county residents and urged greater advertising and public awareness of the discount cards.

Below is a chart demonstrating county-declared savings for card users in a few counties where public data is available.²⁰

County	Start Date of Program	Savings/Date
Nassau	July 2004	\$9,000,000 at August 2008
St. Lawrence	October 2005	\$2,000,000 at May 2008
Oswego	September 2007	\$159,491 at August 2008
Madison	November 2007	\$57,000 at June 2008
Cayuga	November 2007	\$40,000 at June 2008
Onondaga	November 2007	\$297,887 at June 2008
Franklin	May 2008	\$40,000 at July 2008

²⁰ The sources for the declared savings include newspaper articles and press releases from those county governments.

Pharmaceutical Industry-Sponsored Prescription Drug Discount Card Programs:

Over the past decade, most pharmaceutical companies have established solo or joint prescription drug discount card programs offered to persons with limited means or without other prescription drug coverage. Eli Lilly, GlaxoSmithKline, Merck, Novartis and Pfizer have established their own corporate programs, each with separate requirements. In addition, a group of pharmaceutical companies created [Together Rx Access](#), a discount card sponsored by Abbott, Bristol-Myers Squibb, GlaxoSmithKline, Johnson & Johnson, King Pharmaceuticals, McNeil Pediatrics, Novartis, OrthoBiotech, Pfizer, Sanofi Aventis, Takeda, Tibotec Therapeutics and Vistakon Pharmaceuticals. However, the Together Rx program is limited to those who are not eligible for Medicare and persons who have no other prescription drug coverage of any kind, and there are also income restrictions on participants.

As the 2003 GAO report notes, pharmaceutical company discount card programs are available only to Medicare-eligible individuals or individuals/families with incomes below certain levels and who do not already possess prescription drug coverage. Unlike government-sponsored or endorsed plans, these drug cards are generally restricted to the drugs manufactured by each company, unlike government-sponsored or endorsed plans.

Pharmaceutical companies, doctors, healthcare providers and other groups have created the [Partnership for Prescription Assistance program](#). However, this is not a discount card program – it is a program to get prescription drugs to low-income or other eligible recipients at no cost and there are strict criteria limiting participation.

Non-Profit Prescription Drug Discount Card Programs:

Citizens Energy, a non-profit organization principally dedicated to assisting those in need with energy costs and heating their homes maintains an annual fee-based [discount prescription program](#) for senior citizens and persons who meet income restrictions. The American Association for Retired Persons (“AARP”) sponsors a [discount program](#) through Walgreens for those who enroll in the AARP-branded health plans and pay an annual membership fee.

The United Way and its affiliates across the country, as well as other community groups sponsor and participate in a discount card program called “[Family Wize](#).” The program requires no information, is free, and individuals only need to print the card off the Web site to start participating. The card is accepted at all national, regional and many local pharmacies/drug/grocery stores including Tops and Wegmans.

Private Prescription Drug Discount Card Programs:

The privately held company United Networks America markets essentially one discount card program with several names entitled “[Free Drug Card](#)” and “[UNA Rx Card](#)” in a variety of states, including [New York](#). The company maintains that its card, for which a consumer must provide a name and e-mail address, is free and accepted in 54,000 pharmacy locations nationwide including the large national and regional chain stores.

Other companies maintain fee-based membership discount card programs. One program, [ProCare Benefit Card](#), charges participants \$9.95 per month with a one-time \$10.00 enrollment fee and provides mail order and neighborhood pharmacy discounts. [RxDrugCard.com](#), which requires detailed personal information, charges consumers a monthly, quarterly or annual fee for a single person, married, or family coverage. Monthly rates range between \$4.50 and \$4.95 and annual fees between \$45.95 and \$49.95. Another program, [YourRxCard.com](#), maintains that its card, for which a consumer must provide a name and e-mail address, is free and accepted in 57,000 pharmacy locations nationwide, including the large national and regional chain stores.

Retail Store Programs:

A number of national retail stores including [K-Mart](#), [Wal-Mart/Sam's Club](#), [Costco](#), [Target](#), and [BJ's](#) maintain discount prescription drug programs. These programs generally feature in-store or mail-order 90-day supplies of generic prescription drugs at significantly reduced cost. Some stores require membership and/or paying an annual enrollment fee. The [Walgreens](#) drug store chain also maintains a similar fee-based generic drug discount program.

Erie County Efforts:

Based on 2000 Census data, Erie County has approximately 950,000 residents. Available data from the New York State Department of Health states that 96,300 Erie County residents have no health insurance, 12,600 of which are children.²¹ This means that more than 10% of the County's residents are uninsured and this does not include under-insured residents.

96,300 residents in Erie County, or more than 10% of the County's population, have no form of health insurance.

In mid-May 2007, then-County Legislator Cynthia Locklear introduced a resolution (Intro. 10-7) concerning discount cards for the uninsured and under-insured County residents. Legislator Locklear's press release announcing the resolution stated: "One of the most critical jobs we have in the Legislature is finding creative, cost-neutral solutions to assist the members of our community who face severe challenges in managing their medical needs."

Legislator Locklear's resolution specifically mentioned a discount card program administered by a company called ProAct, Inc. ("ProAct"), a pharmacy benefit management company which is a subsidiary of Kinney Drugs, a drug store chain founded and headquartered in northern New York State. The resolution noted that ProAct's program was available throughout New York State and that the company offered the card to its participating county governments at no cost to the individual participants or to the counties, and with potential savings of between 10%-20% for brand-name drugs and between 20%-50% for generic drugs.

The resolution initially stated: "Resolved, this Honorable Body does hereby find it to be in the best interests of the residents of Erie County to undertake further study of the ProAct program to determine whether the Legislature may award a contract to ProAct, Inc. to provide the Prescription Discount Card Program to the residents of Erie County upon terms and conditions as

²¹ [Fidelis, Providers Target Uninsured](#), The Buffalo News, April 21, 2008.

are acceptable to the Legislature; or in the alternative issue an RFP to discount card providers as soon as possible to develop the best possible discount prescription card program including at a minimum at least the benefits identified herein.” At the May 17, 2007 legislative session, the resolution was amended to add language by which the Legislature resolved to study the ProAct program “and other similar programs,” and to determine whether the Legislature could award a contract to ProAct or “other similar programs.”

Legislator Locklear’s resolution also stated that the issue was to be referred to the Legislature’s Health Committee for discussion and investigation with a recommended course of action developed for report back to the full Legislature. The resolution was approved unanimously by the Legislature and subsequently the Legislature’s Health Committee held a meeting and met with ProAct’s representatives who gave a presentation on their program.

However, following that committee meeting and discussion, despite the resolution’s language calling for a report to be developed to the Legislature for potential action and the development of a request for proposals (“RFP”) for establishing a discount card program in the County, there were no further follow-up activities, a report prepared or RFP conducted.

Conclusion

It is clear that Americans, their employers, and the federal, state and local governments face increasingly significant and burdensome costs for health insurance and prescription drugs. Current trends are not sustainable. American consumers need assistance with paying for needed pharmaceuticals.

Our analysis of the range of government, pharmaceutical industry, private, and non-profit prescription drug discount card programs suggests that Erie County’s residents and taxpayers can benefit, both medically and financially, from the County’s establishment of a program similar to the program in Nassau County. Demonstrated savings and improved health results are available from such programs – programs that are available at no cost to the County or the residents.

The Office of Erie County Comptroller Mark Poloncarz urges the County Legislature and County Executive to thoroughly investigate available discount card programs, initiate a dialogue with pharmacy benefit managers to determine the best available plan for County residents, and implement a discount card program in Erie County for the benefit of our residents and taxpayers. While the County might not anticipate an immediate budgetary savings from implementing such a program, long-term benefits would result that will save taxpayers significant amounts of money over time while helping residents to receive needed prescription drugs.