



City of Long Beach
Working Together to Serve

Attachment 1


R-34

Memorandum
Councilmember
Patrick O'Donnell
4th District

~~R-31~~

Date: July 5, 2005

To: Honorable Mayor and City Councilmembers

From: Patrick O'Donnell, 4th District Councilmember 

Subject: Prescription Savings Programs

Recommended Action

Request the City Manager to research prescription savings programs and report back to the Council in 45 days with recommendations on creating a local prescription drug savings program for all residents of Long Beach.

Background

The cost of prescription drugs in the United States has been growing exponentially year after year. According to the American Association of Retired Persons (AARP), the costs of prescription drugs are increasing three times the rate of inflation. Seniors, and others on fixed incomes, are forced to spend a larger and larger percentage of their monthly income on drugs, which in many cases are for life-threatening illnesses.

The City of Baltimore, in an attempt to address the burden of the ever-increasing costs of prescription drugs, partnered with ScriptSave to offer all residents a prescription discount card. Cardholders of ScriptSave, and other discount prescription services such as Caremark, are able to save 20% to 50% on prescriptions. There is no cost to the cardholder for participation and no cost to the City.

There are 12 million ScriptSave cardholders nationwide and Caremark partners with more than 2000 organizations to provide discounts to cardholders including government agencies, unions and insurance companies. Each organization has more than 50,000 participating pharmacies throughout California.



Date: November 4, 2005

To: Mayor and Members of the City Council

From: Gerald R. Miller, City Manager *Humason for*

Subject: Prescription Drug Discount Cards

Pursuant to the request made by Councilmember O'Donnell, City staff has researched prescription drug discount card programs for Long Beach residents. The following provides an overview of the programs based on staff research and presentations made by two companies.

BACKGROUND

Prescription drug prices have risen more than 7 percent a year for the last decade. These rising costs impose a particular burden on the one in four Los Angeles County residents with no health insurance, and even those with insurance may have inadequate drug coverage. The average retail price of a prescription drug in California is \$51.94 for a 30-day supply, only slightly below the national average.

Many pharmaceutical manufacturers and wholesalers supply discount drug cards to individuals with poor health coverage, high medical needs, or low incomes. These card programs often have strict eligibility requirements, and they may offer access to only a limited range of drug brands. Other companies offer unrestricted discount cards but charge monthly or annual membership fees.

Some companies, such as ScriptSave and Caremark, provide drug discount cards at almost no cost to the cardholders or sponsoring agencies. The cards are available to all residents regardless of age, income, insurance coverage, and medical condition, and the programs require no enrollment forms or membership fees. ScriptSave recently partnered with the City of Baltimore to provide discount cards to all residents, and Caremark provides discount cards to residents in 40 counties through the National Association of Counties.

These companies can provide discounts because they negotiate lower drug prices with retail pharmacies like Rite-Aid and Sav-On Drugs. Negotiated discounts vary by drug and by pharmacy, but the discounted price is often cheaper than the retail price. These companies make money by charging participating pharmacies and cardholders an administrative fee per prescription. In turn, participating pharmacies benefit from increased customer volume and consumers may enjoy lower prices.

These companies did state that revenue-sharing was an option, although this arrangement has not been included with public agencies in the past. Funds generated through a revenue-sharing arrangement could be used for needed social and human services.

These companies look to find an active partner in branding, marketing, and publicizing any drug discount card program. The City could be considered a co-sponsor with its logo affixed to all discount cards and materials. We have attached materials provided by each company as well as a staff comparison of each program's features and pricing based on a sample of popular drugs.

The City Attorney has advised that should the City proceed with this program, it must follow either a bid or Request for Proposal process, particularly if it seeks revenue-sharing. Companies beyond ScriptSave and Caremark may want to bid on the program. The "lowest bidder" would be the provider who offered the highest percentage of revenue-sharing to the City and the lowest cost for the medications to residents.

POTENTIAL BENEFITS

- **Lower Drug Prices for Long Beach Residents:** At no direct cost to the City, cardholders could see discounts of 20 to 50 percent per prescription, although it varies by drug and pharmacy. Residents without insurance or prescription drug coverage would likely gain the most from these programs. Unlike most other prescription drug initiatives, these programs have no eligibility restrictions or fees, and they are completely voluntary.
- **Possible Revenue-Sharing.** ScriptSave and Caremark are willing to consider a revenue-sharing agreement by which the City would receive a portion of the profit on each prescription filled. Such revenue could be used to enhance City health and social service programs for the indigent.

POTENTIAL CONCERNS

- **Liability:** The City Attorney has opined that a City-sponsored discount card program could expose the City to lawsuits from any person using a card who experiences problems in obtaining a discount when filling a prescription, who is denied a discount, who is disgruntled with the pharmacy filling the prescription, or who is disgruntled with the company offering a discount. A revenue-sharing arrangement could increase this liability.
- **Uncertain Benefit:** The exact benefit to any one individual resident is unknown, because drug discounts vary by pharmacy and by drug. Some Long Beach residents may derive no benefit from the card while others may enjoy substantial savings. The actual discount depends on what medications a resident uses, which pharmacies they frequent, and what type of insurance coverage they have. Importantly, low-income or uninsured residents could find greater discounts through other drug discount programs, and online drugstores may offer better prices than the cards.
- **Indirect cost to City:** The City would need to play an active role in marketing and publicizing the cards. These efforts may include flier distributions, direct mailings, press conferences with local media, cable television spots, or public health outreach. Additionally, Caremark requires the City to distribute the cards.

Although both companies will provide access to a communications team and sponsor tool kit, the City would most likely be responsible for marketing costs.

- **Impact on Nonparticipating Pharmacies.** These discount cards may impact independent pharmacies not participating in the ScriptSave or Caremark networks. Discount cards directly affect a retail pharmacy's profit margins. About 25 percent of the city's pharmacies do not participate in Caremark and 45 percent do not participate in ScriptSave. While the nonparticipating pharmacies could join these networks, they would need to evaluate the potential benefit.

OTHER ALTERNATIVES

The City may be able to help residents lower prescription drug costs without explicitly sponsoring a discount card. Among the options:

- **Partner with a Nonprofit or Medical group.** There are a number of private or nonprofit healthcare providers in the City of Long Beach that may be interested in serving as a sponsor and partnering with the discount prescription drug discount programs and/or the City to provide such a program.
- **Partner with Prescription Assistance Programs.** Numerous pharmaceutical manufacturers provide low-cost and in some cases free prescriptions for eligible populations. The Partnership for Prescription Assistance has compiled these discounts into easy-to-search databases that retrieve the best deals based on an individual's income, health status, prescription needs, and medical coverage. RxHelpforCA.org provides this searchable database for California. RxforLongBeach.org, a Long Beach-based Website, provides information about these programs and links to searchable databases. The City could partner with one or both of these Websites, publicizing and perhaps expanding their features in order to secure better discounts for low-income residents. Importantly, these programs would not provide drug discounts to *all* Long Beach residents. Rather, they would target individuals with low incomes and high medical needs.

CONCLUSION

Discount programs like ScriptSave and Caremark could be a free, no-commitment way to lower prescription drug prices for a broad range of Long Beach residents. These discount programs would mainly benefit residents without prescription drug insurance coverage, although not exclusively. However, the City could obtain much better drug discounts for a smaller segment of the population if it focused on programs restricted to low-income and/or uninsured residents.

If you have any additional questions regarding these programs, please contact me at 86916.

cc: Christine Shippey, Assistant City Manager
Reggie Harrison, Deputy City Manager
Suzanne Mason, Deputy City Manager
Ron Arias, Director, Health and Human Services

PRICING COMPARISON - SELECTED DRUGS

	Average Price Per Dose			Average Discount		Better Deal
	Retail	ScriptSave	Caremark	ScriptSave	Caremark	
Brand Name						
ARICEPT 10 MG TABLET	\$5.29	\$4.83	\$4.83	8.8%	8.7%	ScriptSave
NORVASC 10 MG TABLET	\$2.45	\$2.18	\$2.19	10.7%	10.5%	ScriptSave
LIPITOR 10 MG TABLET	\$2.71	\$2.39	\$2.48	11.6%	8.4%	ScriptSave
ZOLOFT 50 MG TABLET	\$2.90	\$2.72	\$2.74	6.5%	5.7%	ScriptSave
PLAVIX 75 MG TABLET	\$4.44	\$4.19	\$4.19	5.8%	5.7%	ScriptSave
NAMENDA 10 MG TABLET	\$2.31	\$2.14	\$2.24	7.4%	3.1%	ScriptSave
FLOMAX 0.4 MG CAPSULE SA	\$2.35	\$1.96	\$2.09	16.7%	11.0%	ScriptSave
ZYRTEC 10 MG TABLET	\$2.65	\$2.15	\$2.13	18.9%	19.7%	Caremark
Generic						
HYDROCHLOROTHIAZIDE 25 MG TB	\$0.29	\$0.20	\$0.19	32.6%	35.1%	Caremark
FOLIC ACID 1 MG TABLET	\$0.52	\$0.15	\$0.18	71.2%	65.6%	ScriptSave
FUROSEMIDE 40 MG TABLET	\$0.28	\$0.22	\$0.21	21.4%	26.2%	Caremark
CARISOPRODOL 350 MG TABLET	\$1.23	\$0.44	\$0.50	64.2%	59.5%	ScriptSave
METOPROLOL 50 MG TABLET	\$0.33	\$0.29	\$0.21	11.1%	36.2%	Caremark

PROGRAM FEATURES COMPARISON

	Discounts on brand and generic drugs	Discounts on vision and hearing supplies	Discounts on diabetic supplies	Open formulary	Online enrollment	Online price quotes	Mail order option	Distributes cards and materials	Willing to share revenue	Number of Long Beach pharmacies	Number of cardholders nationwide	Public sector experience
ScriptSave	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	40	12 million	Yes, city of Baltimore
Caremark	Yes	No	Yes	Yes	No	Yes	Yes, with additional 5% discount	No	Yes, but may affect discounts	55	15 million	Yes, 40 counties