PRESS RELEASE

Drug swap drives down costs

Generic and therapeutic drug substitutions can help lower Medicare costs

Therapeutic drug substitutions have the potential to double or even triple annual cost savings compared with savings achieved with generic substitutions, according to O. Kenrik Duru and colleagues from the University of California, Los Angeles. Therapeutic drug substitutions involve the use of less expensive substitutes that are not equivalent but have a similar treatment effect as the original medication. Their work¹ estimates the magnitude of potential savings with drug substitution in Medicare Part D plans in the US. The study appears in the Journal of General Internal Medicine², published by Springer.

Medicare Part D provides drug coverage for almost 28 million people. Beneficiaries take on average five medications and fill more than 30 prescriptions every year. Although the burden of rising out-of-pocket drug costs is likely to ease as a result of changes to Part D coverage, additional strategies to reduce drug costs, including out-of-pocket, health plan and government subsidy costs, are still very much needed.

Duru and team analyzed data for 145,056 low-income subsidy beneficiaries and 1,040,030 non-low-income subsidy beneficiaries enrolled in a large, national Part D health insurer in 2007. For each possible substitution - generic or therapeutic - the authors compared the average daily costs of the original and substitute drugs. They also calculated the potential out-of-pocket savings, health plan savings and savings for the government, if applicable.

Overall, nearly half of all beneficiaries were eligible for a generic and/or therapeutic substitution. Generic substitutions resulted in annual savings of $127 to $160 per beneficiary, whereas therapeutic substitutions had the potential to reduce annual costs by $389 to $452 per beneficiary. In other words, therapeutic drug substitutions could result in two to three times greater annual cost savings than possible generic substitutions.

The authors conclude: "While drug costs differ across health systems and vary over time, these findings indicate the importance of examining generic and therapeutic substitutions as a next step to lowering drug costs within Medicare. Since Medicare is unable to negotiate volume purchasing discounts for medication, these substitution approaches represent an alternative cost-control strategy. Ultimately, however, both physicians and patients will need to make informed decisions about the various tradeoffs associated with those substitutions."³

References

2. The Journal of General Internal Medicine is the official journal of the Society of General Internal Medicine.
3. The authors were unable in this analysis to measure clinical contraindications to any therapeutic substitution for a given patient. The proposed therapeutic substitutions may not be indicated for a subset of patients.

The full-text article is available to journalists on request.
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