

This copy is for your personal, non-commercial use only. Distribution and use of this material are governed by our Subscriber Agreement and by copyright law. For non-personal use or to order multiple copies, please contact Dow Jones Reprints at 1-800-843-0008 or visit www.djreprints.com.

<https://www.wsj.com/health/healthcare/medicare-pays-wildly-different-prices-for-the-same-drug-b20fa58c>

HEALTH | HEALTHCARE

Same Drug, 2,200 Different Prices

Middlemen negotiate widely different prices for prescriptions, depending on your Medicare insurance plan



ILLUSTRATION: RACHEL MENDELSON/WSJ, ISTOCK

By *Jared S. Hopkins* [Follow](#) and *Josh Ulick* [Follow](#)

Nov. 26, 2024 5:00 am ET

The cost of prescription drugs in the U.S. isn't like the tabs for other products. The price for a single medicine can range by thousands of dollars depending on the drug plan.

It is a symptom of America's complicated—and costly—system for paying for medicines.

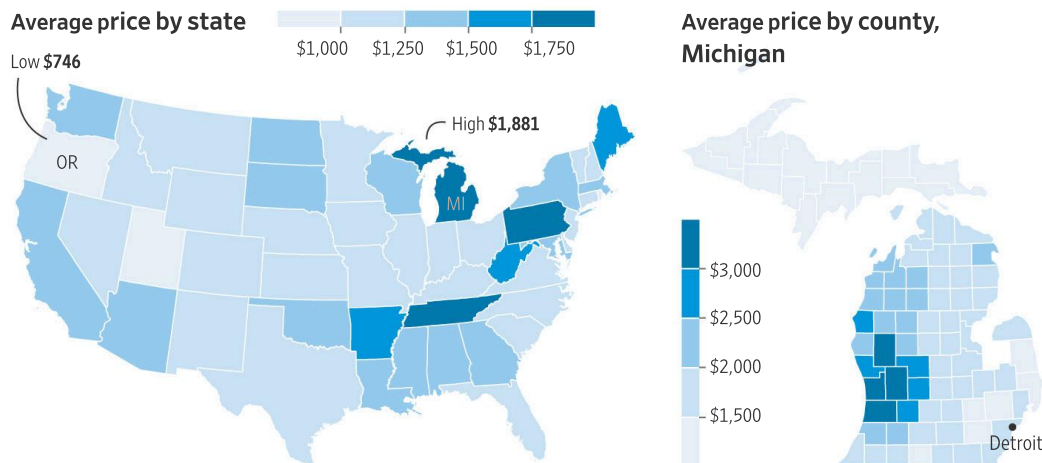
Medicare is paying wildly different prices for the same drug, even for people insured under the same plan.

As a result, people covered by Medicare can be on the hook for thousands of dollars in additional out-of-pocket costs depending on where they live and which drug plan they choose.

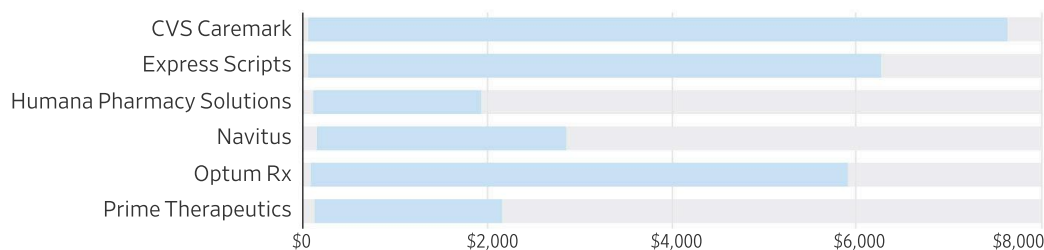
Take commonly used generic versions of prostate-cancer treatment Zytiga. They have more than 2,200 prices in Medicare drug plans. The generics ring in at roughly \$815 a month in northern Michigan, about half of what they cost in suburban Detroit, while jumping to \$3,356 in a county along Lake Michigan, according to a recent analysis of Medicare data.

Generic Zytiga (abiraterone acetate)

This generic version of the prostate-cancer treatment Zytiga has **2,286** unique prices ranging from **\$60** to **\$7,645**, with high price variation in Michigan.



Price ranges among select pharmacy benefit managers



Notes: For oral 250 mg dose, estimated 30-day supply, Q2, 2024. Prices are for all PBMs in Medicare Part D, except where specified for a particular PBM. Prices in maps weighted based on regional medical-plan enrollment.

Source: 46brooklyn Research analysis of CMS's Medicare quarterly formulary and pricing files

The same is true with other popular medicines such as psoriasis treatment Otezla, blood thinner Xarelto and generic versions of the cancer drug Tykerb, known as lapatinib, which has 460 prices, according to the analysis by 46brooklyn Research, a nonprofit drug-pricing analytics group.

“How would you like to go every year and figure out again what is the best plan?” said Paula Kirk, 70 years old, who has switched her Medicare prescription-drug plan since joining the program five years ago to get a better price for Tykerb, reducing her annual out-of-pocket costs by more than \$2,500.

Kirk dipped into her retirement fund and her husband picked up part-time work to help pay for her prescriptions before switching to her current plan. “We’re just trying to get the cheaper rates for our prescriptions, that’s all we’re trying to do,” she said.

In her county in central Illinois, Kirk’s Centene Medicare drug plan priced the cancer drug at \$3,622, while Humana priced the drug double the amount, 46brooklyn found. Lapatinib can cost even more in other parts of the country, including \$10,000 in certain parts of California and more than \$12,000 in the center of Pennsylvania.

Medicare drug benefits usually cover most of the cost of a drug. Depending upon their plan, patients can be on the hook for a portion of the cost, such as a deductible or co-insurance. The wide range in drug prices means patients would have to choose a plan paying a lower price for their prescription to minimize out-of-pocket expenses.

The reason for the huge price differences: America’s complicated drug-reimbursement system, which uses middlemen to negotiate prices.

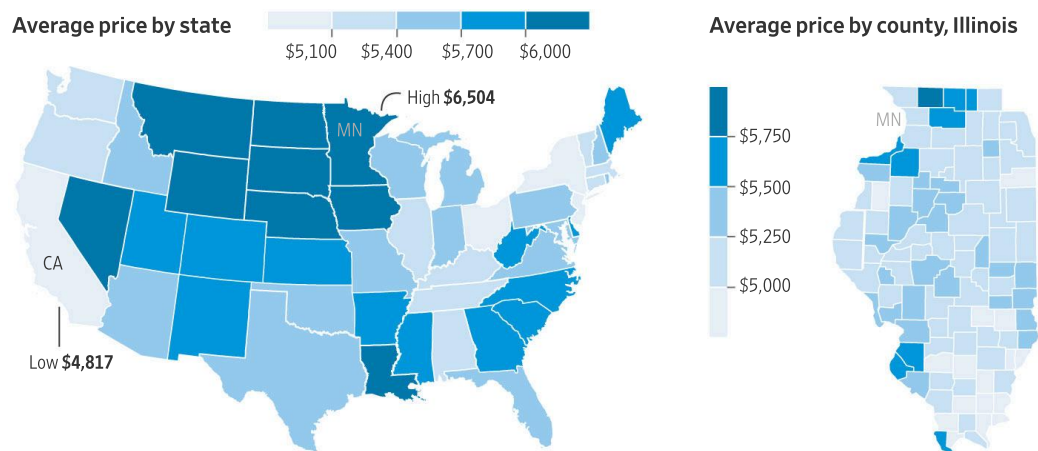
To control drug spending, these firms have created a pricing patchwork, negotiating different prices for different plans.

Not only is it confusing and costly for seniors, the wide range of drug prices costs Medicare. The program, which farms out drug-price negotiations to the firms, pays tens of millions of dollars extra for prescriptions.

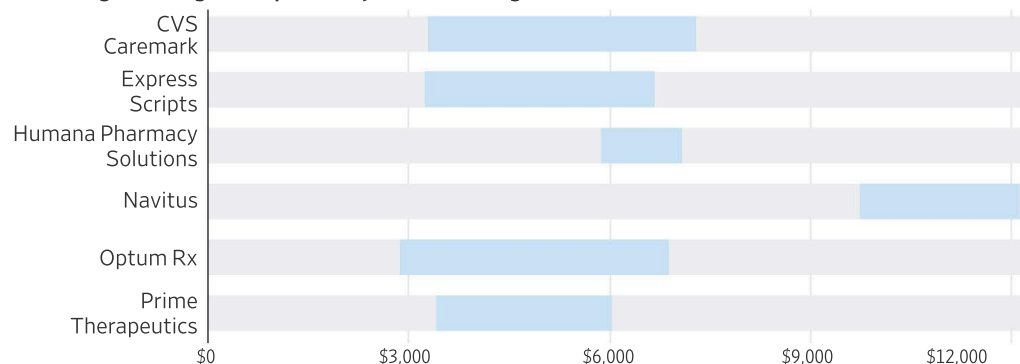
“It’s a broken system. It’s really confusing for seniors. It’s really confusing for providers. It’s costing the government way too much,” said Dared Price, who owns eight pharmacies in the Wichita, Kan., area, and complains the stores are underpaid.

Generic Tykerb (lapatinib ditosylate)

This generic version of the breast-cancer medication Tykerb has **460** unique prices ranging from **\$1,392** to **\$12,145**, with high price variation throughout the U.S., including Illinois.



Price ranges among select pharmacy benefit managers



Notes: For oral 250 mg dose, estimated 30-day supply, Q2, 2024. Prices are for all PBMs in Medicare Part D, except where specified for a particular PBM. Prices weighted based on regional medical-plan enrollment.

Source: 46brooklyn Research analysis of CMS's Medicare quarterly formulary and pricing files

The middlemen, known as pharmacy benefit managers or PBMs, said they work to negotiate the lowest possible prices for their customers and seniors. They said Medicare prices are affected by factors such as what pharmacies charge Medicare for a drug and the facility where a patient is getting care.

The Pharmaceutical Care Management Association, the PBM trade group, said it isn't unusual for prices to vary for generic drugs in particular, and PBMs determine a fair price by collecting information from drugmakers and wholesalers, surveying local market data and calculating the average cost for prescriptions.



Illinois resident Paula Kirk changed her Medicare prescription-drug plan to cut her annual out-of-pocket costs. PHOTO: PAULA KIRK

Critics say the PBMs can profit off the varying prices because Medicare can't keep track of all the different sums it is paying.

"The inconsistent and disconnected way that PBMs arrive at drug prices makes Medicare look less like a trustworthy marketplace intended to yield low, sober prices and more like a casino," said 46brooklyn Chief Executive Antonio Ciaccia.

The Centers for Medicare and Medicaid Services, which administers Medicare, doesn't comment on external analyses, a spokeswoman said.

Like commercial plans, Medicare Part D plans for the elderly and certain people with disabilities enlist PBMs to negotiate with drugmakers the price that drug plans will pay for brand-name drugs, and to broker the sum it will reimburse pharmacies for the generic and brand drugs that the pharmacies buy and then sell to patients.

A medicine doesn't usually have a single price, because Medicare divides coverage into 34 regions around the U.S. and health plans must submit separate bids for each region.



Medicare patients who take popular medicines such as blood thinner Xarelto can face thousands of dollars in additional out-of-pocket costs depending on where they live and which drug plan they choose. PHOTO: GEORGE FREY/REUTERS

UnitedHealth Group's Optum Rx, Cigna's Express Scripts and CVS Health's Caremark are the largest PBMs, managing about 80% of prescriptions in the U.S.

Medicare drug plans also use other PBMs, such as Humana's in-house PBM, Prime Therapeutics, which is owned by Blue Cross and Blue Shield plans, and Navitus Health Solutions, which is owned by SSM Health and Costco.

To find out the prices that the big three and other PBMs negotiated, 46brooklyn looked at what standalone Part D and Medicare Advantage plans say they will reimburse pharmacies on behalf of Medicare for branded and generic drugs during the second quarter. They reported the prices that Medicare would pay.

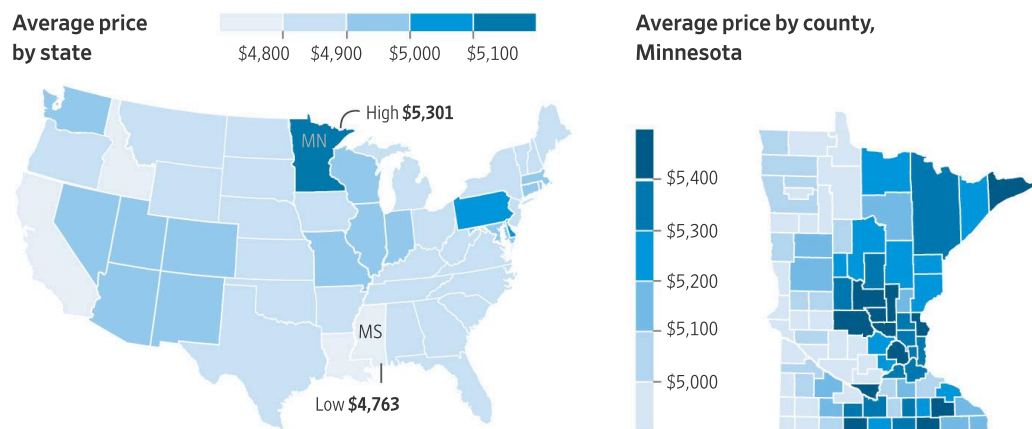
Some 61 drugs had monthly prices that diverged by at least \$30,000, including a \$223,037 range for a drug, called nitisinone and sold under the brand name Orfadin, treating a rare metabolic disorder. About 300 medicines had more than 1,000 monthly prices when the difference between the lowest price and the highest was more than \$1,000.

It didn't matter that the same PBM was negotiating the prices. Prices varied widely among health plans, even if a plan used the same PBM.

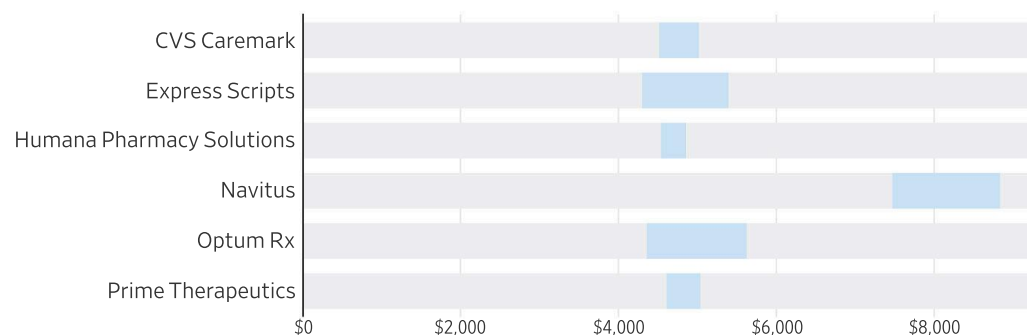
The 30 mg dose of Otezla had among the most different prices among branded medicines. It had 633 different prices across health plans that used Express Scripts, while Optum Rx carried 569 different prices and Caremark had 431.

Otezla

The psoriasis medication has **2,401** unique prices ranging from **\$4,301** to **\$8,835**, with high price variation in Minnesota.



Price ranges among select pharmacy benefit managers



Notes: For oral 30 mg dose, estimated 30-day supply, Q2, 2024. Prices are for all PBMs in Medicare Part D, except where specified for a particular PBM. Prices in maps weighted based on regional medical-plan enrollment.

Source: 46brooklyn Research analysis of CMS's Medicare quarterly formulary and pricing files

The largest PBMs notched some of the biggest number of different prices for lower-priced copies of Zytiga, which is sold as a generic under the drug's chemical name abiraterone acetate.

Caremark has logged 643 different prices for Zytiga generics, while Express Scripts has 500 and Optum Rx carries 445. By comparison, Capital Rx, a PBM with fewer beneficiaries than the three largest firms, had two prices.

Capital Rx had few prices—either \$106 or \$117—because it pegged them to the benchmark that the U.S. government uses to calculate drug costs, called the National Average Drug Acquisition Cost, which is based on a survey of retail pharmacy prices, said Chief Executive Anthony Loiacono. Capital Rx's prices were much less than the sums that many other health plans reported.

"We don't make money on drug spend, and I do not set prices. I use what CMS gives us as the starting point," Loiacono said.

To save on the out-of-pocket costs for his blood-thinner prescription, Brien Vaughn, a 76-year-old retired information-technology worker who lives in the Tampa area, tried switching Medicare drug plans four years ago. But the plan he wanted

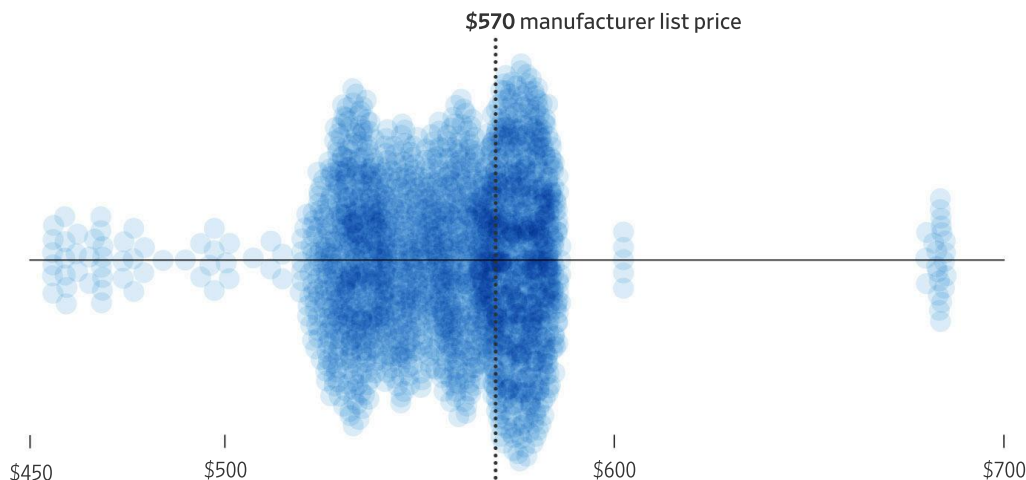
wouldn't cover his prescription at the time.

He has stuck with a plan run by the health insurer Centene because he doesn't want to repeat the experience.

"This stuff is such a black box," he said. "You never really know how much your drugs cost you."

All Over the Map

The same drug can have wildly different prices. For example, a 30-day supply of Xarelto, a medication that treats blood clots, has **3,553** unique prices.



Note: Prices are for oral 20 mg doses, as of Q2 2024, under health plans using CVS Caremark, Optum Rx and Express Scripts PBMs. For plans with a range of prices, an average was used.

Source: 46brooklyn Research analysis of CMS's Medicare quarterly formulary and pricing files

Vaughn is currently taking a daily 10 mg dose of a blood thinner called Xarelto. His Medicare plan, which is run by Centene and uses Express Scripts to manage drug benefits, charges Medicare \$532 a month. It is among 67 different monthly prices that plans in his county charge Medicare.

In the county, Vaughn's drug plan is paying among the lower prices for Xarelto. His prescription costs him a monthly copay of about \$200. But other Medicare plans covering people in Florida are charging less, as low as \$456 a month.

Across Florida, Medicare is paying 262 different prices for Xarelto, up to as much as roughly \$884 monthly for five plans whose drug plans were managed by PBM Navitus Health Solutions.

—Taylor Umlauf contributed to this article.

Write to Jared S. Hopkins at jared.hopkins@wsj.com and Josh Ulick at josh.ulick@wsj.com

Appeared in the November 27, 2024, print edition as 'Medicare Payouts Vary Widely for Same Drug'.

