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Pills with a doughnut hole

When Zhou Enlai was premier of People's Republic of China, from 1949 to 1976, he was asked about the impact of the French Revolution, and reportedly replied that it was too early to tell. The same can now be said about the Medicare Part D Drug Benefit. Passed some two years ago by the then Republican controlled Congress, it represents an interesting experiment of the government providing drugs through the private sector to stimulate competition and contain costs.

Under the provisions of this benefit, available to Americans over the age of 65 years, several competing companies offer plans at a cost of roughly \$26 per month. Patients are responsible for a small co-payment for each prescription up to a total of \$2400; then there is a gap between \$2400 and \$3850 when the patient has to pay for everything; and beyond that the plan covers all costs except for a small percentage.

Patients are allowed to use most large pharmacies "in the network." There is a formulary of approved drugs, divided into tiers. To encourage use of generic drugs, most of them are in tier one and require a small co-payment, perhaps \$6 per month per prescription. Most brand names and certain expensive drugs are in tiers two and three, with larger co-payments, about \$28 and \$70 per month, and with some drugs requiring prior justification and authorization. Certain avenues are available for those who cannot afford the premiums or the co-payments. Some of the inexpensive generics available over the counter (such as loratidine) do not seem to be covered and may drive prescribers to more expensive items. But perhaps the most striking characteristic of the scheme is its complexity.

Then there are critics on the left, still enamored of a totally government administered health system in which the government negotiates directly with the drug companies. They are also concerned about the "doughnut hole," the gap between \$2400 and \$3850 when 100% of costs must be paid by patients or shifted to state or local authorities. On the right there are concerns about yet another entitlement to swell the federal deficit. But in the first year, government expenditures were \$30 billion instead of the estimated \$43 billion, attributed by supporters of the scheme to the benefits of competition. Clearly, as with the French Revolution, it is still too early to tell!