



NEW PUBLICATIONS BY HCFE RESEARCHERS

Two new journal articles and a book chapter were recently published by HCFE researchers:

1. **"Controlling Prescription Drug Costs: Regulation and the Role of Interest Groups in Medicare and the Veterans Health Administration,"** co-authored by HCFE researchers Austin B. Frakt, PhD, Steven D. Pizer, PhD, and Ann M. Hendricks, PhD, was published in the December 2008 edition of the Journal of Health Politics, Policy and Law. The article is available at HCFE website: http://www.hcfe.research.va.gov/docs/JHPPL_Frakt.pdf. Please address any questions to frakt@bu.edu.

Abstract: Medicare and the Veterans Health Administration (VA) both finance large outpatient prescription drug programs, though in very different ways. In the ongoing debate on how to control Medicare spending, some suggest that Medicare should negotiate directly with drug manufacturers, as the VA does. In this article we relate the role of interest groups to policy differences between Medicare and the VA and, in doing so, explain why such a large change to the Medicare drug program is unlikely. We argue that key policy differences are attributable to stable differences in interest group involvement. While this stability makes major changes in Medicare unlikely, it suggests the possibility of leveraging VA drug purchasing to achieve savings in Medicare. This could be done through a VA-administered drug only benefit for Medicare-enrolled veterans. Such a partnership could incorporate key elements of both programs: capacity to accept large numbers of enrollees (like Medicare) and leverage to negotiate prescription drug prices (like the VA). Moreover, it could be implemented at no cost to the VA while achieving savings for Medicare and beneficiaries.

2. **"Nothing for something? Estimating cost and value for beneficiaries from recent Medicare spending increases on HMO payments and drug benefits,"** coauthored by Steven D. Pizer, Austin B. Frakt, and Roger Feldman was published online on September 27, 2008 in the International Journal of Health Care Finance and Economics. The article is available online at <http://www.springerlink.com/content/106603/?Content+Status=Accepted>. Please address any questions to pizer@bu.edu.

Abstract: The Medicare Modernization Act of 2003 added a new outpatient prescription drug benefit to Medicare and increased payments to HMOs. We estimate a nested logit model of plan choice to quantify the welfare benefits from these two expansion paths. We find that the addition of stand-alone prescription drug plans was welfare improving and produced nine times as much value per government dollar as the increase in payments to HMOs. In light of these results, we

suggest that HMO bidding procedures should be modified to reduce payments to HMOs by about \$67 billion over the next 10 years.

3. Ann Hendricks and Jomana Amara contributed a chapter to the recently published book on **“Returning Wars’ Wounded, Injured, and Ill: A reference handbook,”** edited by Nathan Ainspan and Walter Penk and published by Praeger Security International in September 2008. The Chapter is titled **“Current Veteran Demographics and Implications for Veterans’ Health Care.”** The overall theme of the book is practical advice about life with disability for veterans, their friends and families and professionals caring for veterans. The chapter by Hendricks and Amara focuses specifically on the disabled veteran population compared to all American veterans, and briefly describes the VA's priority system. Please address any questions to ann.hendricks@va.gov.

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