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**FINANCIAL BURDEN OF PRESCRIPTION DRUGS IS DROPPING, BUT COSTS
REMAIN A CHALLENGE FOR MANY FAMILIES, RAND STUDY FINDS**

The financial burden Americans face paying out-of-pocket costs for prescription drugs has declined, although prescription costs remain a significant challenge for people with lower incomes and those with public insurance, according to a new RAND Corporation study.

Despite the improvement, more than 8 million nonelderly Americans lived in families with high drug-cost burden in 2008 and one in four devoted more than half of their total out-of-pocket medical spending to prescription drugs, according to findings published in the February edition of the journal *Health Affairs*.

“Our findings are evidence of the success of strategies already in place to help lower the cost of medications for consumers, even during a period when medication use was increasing,” said Dr. Walid Gellad, the study’s lead author and a researcher at RAND, a nonprofit research organization. “But the burden of drug costs remains high for many Americans, which is an important issue for policymakers to consider as health reform extends insurance coverage to more people.”

The primary reason for the drop in consumers’ prescription drug costs is an increased use of generic medications, according to researchers. Over the last decade, changes in health care benefits encouraged consumers to use generics and many high-demand medications became available in generic form.

While prescription drug spending accounts for 10 percent of all health care spending in the United States, out-of-pocket costs for prescription medication make up a much larger percentage of individual health spending, particularly among low-income people with public insurance and those with chronic conditions such as diabetes.

“Because medications are a large part of the household health budget, they are obvious targets for households when they need to decrease their health expenses, which can have adverse consequences down the road,” said Gellad, who also is an assistant professor of medicine and health policy at the University of Pittsburgh, a staff physician at the Pittsburgh VA Medical Center, and a researcher with the VA Center for Health Equity Research and Promotion.

The researchers examined information about individual drug spending from 1999 to 2008 among people tracked by the federal Medical Expenditure Panel Survey.

The study found that the percentage of people with high financial burden for prescription drugs increased from 1999 to 2003, decreased from 2003 to 2007, and had a slight increase in 2008. The study defined “high financial burden” as living in a family that spends more than 10 percent of its income on out-of-pocket expenses for prescription drugs.

The study found that in 1999 about 3 percent of nonelderly Americans (7 million people) lived in families that spent more than 10 percent of their income on prescription drugs and nearly 27 percent of nonelderly Americans (64.5 million) belonged to families where out-of-pocket drug costs accounted for more than half of all out-of-pocket health care costs.

By 2003, out-of-pocket drug costs had climbed higher. More than 4 percent of nonelderly Americans (10.8 million) had high drug-cost burden and 33.6 percent (85.2 million) lived in families where drug costs accounted for more than half of all out-of-pocket health care expenses. But by 2008, these numbers had decreased to 3.1 percent for families with a high drug-cost burden (8.3 million) and 25.4 percent for families with drug costs accounting for more than half of all out-of-pocket health care costs (67.1 million).

The drug cost burden differed substantially based on family income and types of insurance. In 2008, the percentage of people living in families with a high drug cost burden was 7.5 percent among those with public insurance, 4.5 percent among those with privately purchased individual health plans and only 1.2 percent for those with group or employer-related insurance.

“These differences are important as the Affordable Care Act will expand coverage to 24 million people through new health insurance exchanges that build on the nongroup insurance market,” Gellad said. “There is the expectation that future nongroup policies will provide better, more-generous drug coverage than existing policies, but the level of generosity remains to be seen.”

The study also found that people with chronic health conditions were more likely to face a high financial burden because of drug costs. In 2008, more than one in eight people with diabetes faced a high financial burden because of drug costs and a majority of people with the illness lived in families where drug costs accounted for more than half of all out-of-pocket health care spending. Similar trends were seen for patients with high blood pressure and mental disorders.

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Other authors of the study are Julie Donohue and Yuting Zhang of the University of Pittsburgh, Xinhau Zhao of the VA Pittsburgh Healthcare System, and Jessica Banthin of the Congressional Budget Office.

RAND Health, a division of the RAND Corporation, is the nation's largest independent health policy research program, with a broad research portfolio that focuses on health care costs, quality and public health preparedness, among other topics.

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