



Rising Prices, Lack of Coverage Keep Prescription Drugs Out of the Reach of Many

Overall, national spending on outpatient prescription drugs has risen considerably in recent years. From 1999 to 2000 alone, spending on retail outpatient prescription drugs increased nearly 19 percent.¹ Three trends contribute to this growth: physicians are prescribing more drugs, physicians are prescribing more expensive drugs, and drug prices are rising.² These trends are not expected to abate any time soon. In fact, some studies estimate that spending on prescription drugs will double in the next five years.³

For the estimated 65 million Americans who do not have any outpatient prescription drug coverage, the result of this increase is simple: They must spend an ever-growing percentage of their income to purchase the drugs their physicians prescribe.⁴ For low-income individuals without prescription drug insurance, this often means choosing between medications and other necessities.⁵

Rising drug spending has a disproportionate impact on seniors, people with disabilities, and the chronically ill who do not have outpatient drug insurance. Seniors and many people with disabilities can rely on Medicare to insure against the cost of hospital and physician services, but Medicare does not provide outpatient drug coverage—even though Medicare beneficiaries rely heavily on prescription drugs as part of their medical care.⁶ In fact, an estimated 27 percent of Medicare beneficiaries do not have any outpatient drug coverage; roughly half of those individuals have incomes below 175 percent of the federal poverty level.⁷ Add to that the beneficiaries who have coverage for only part

of the year because they reach their annual caps on coverage, and the result is that nearly half of all Medicare beneficiaries are without drug coverage at some point in time during the course of a year.⁸

The economic burden that drug costs pose for those without coverage is compounded by the fact that the uninsured typically pay significantly more for prescriptions drugs than their insured counterparts. They do not have the bargaining power to negotiate volume discounts the way insurance companies can for the individuals they cover.⁹

Not surprisingly, seniors without drug coverage do not fill as many prescriptions as those who have coverage.¹⁰ Similarly, the uninsured with chronic illnesses are much more likely to go without medicines that are essential to maintaining their health and functioning than are the insured with such conditions.¹¹ Inadequate use of prescription drugs can have serious health consequences that can result in compromised quality of life or increased use of more costly medical care.

Recognizing the seriousness of this problem, many states have taken steps to expand coverage and/or reduce drug prices, particularly in the form of programs targeted toward the elderly and persons with disabilities—Medicare beneficiaries. States are doing less to address prescription drug coverage for uninsured adults with chronic illnesses who are not Medicare beneficiaries.

Although a comprehensive, low-cost, standardized prescription drug benefit in Medicare that is available to all beneficiaries would be the best way to provide broad and consistent coverage to seniors and people with disabilities, Congress has been slow to act. As a stopgap measure, the President has proposed a “Medicare Rx Discount Card.”¹² The potential availability of this program should not distract from efforts to implement state-based programs. The Medicare discount card does not offer anything particularly new to beneficiaries, since it is a private discount program and such programs have existed for some time. Even with the

Medicare discount-card, prescription drugs will still be out of the financial reach of lower-income beneficiaries unable to afford the often-substantial drug costs that will remain after the discount.

Whenever a Medicare drug benefit is enacted, supplemental state programs may still be needed for several reasons. First, implementation of a Medicare benefit will not occur until several years after its passage. Second, the eventual Medicare drug benefit may or may not provide significant and meaningful assistance to low-income beneficiaries. And third, a Medicare benefit will not address the needs of the many non-Medicare individuals who are without prescription drug coverage. Although state-based programs are not an ideal solution—benefits vary greatly from state to state—these programs can and do provide some assistance to those seniors, persons with disabilities, and others lacking drug coverage who are most in need.

¹ Steven Findlay, *Prescription Drug Expenditures in 2000: The Upward Trend Continues* (Washington: The National Institute for Health Care Management Research and Education Foundation, May 2001).

² Ibid.

³ Julie Appleby, “Spending on Prescription Drugs Is Likely To Double in Next Five Years” (Las Vegas: Associated Press, June 5, 2001); “Three Studies Forecast Soaring Drug Costs,” *USA Today*, March 26, 2001.

⁴ *Prescription Drug Expenditures in 2000*, op. cit.

⁵ Families USA, *Getting Less Care: The Uninsured with Chronic Health Conditions* (Washington: Families USA, February 2001).

⁶ Medicare beneficiaries comprise only 14 percent of the population, yet they account for 43 percent of the nation’s expenditures on drugs. *The Medicare Program: Medicare and Prescription Drugs* (Washington: The Henry J. Kaiser Family Foundation, May 2001).

⁷ *The Medicare Program: Medicare and Prescription Drugs*, op. cit.

⁸ Ibid.

⁹ A multistate study of prescription drug sales found that uninsured seniors and people with disabilities were charged prices that were, on average, twice as much as the prices charged to HMOs, large insurance companies, or federal agencies. Public Citizen, *State Drug Price Surveys Find Seniors Pay Double*, November 8, 1999, accessed on July 25, 2001 through (www.citizen.org).

¹⁰ Medicare beneficiaries without drug coverage receive fewer prescriptions than those with drug coverage and the gap in access between access to drugs for Medicare beneficiaries with and without drug coverage is increasing. For Medicare beneficiaries, during the one-year period from 1997 to 1998, the number of drugs prescribed to those without drug coverage declined while the number prescribed to persons with drug coverage increased. *Health Affairs*, March/April 2001, Volume 20, # 2, “Growing Differences Between Medicare Beneficiaries With And Without Drug Coverage,” John A. Poisal and Lauren Murray.

¹¹ *Getting Less Care*, op. cit.

¹² This kit includes a piece on the Medicare Rx Discount Card that gives a more complete overview of the program and its status as of November 2001.