



Six Good Reasons for States to Expand Drug Coverage or Reduce Drug Prices

Background for Building an Argument

- 1 The need is urgent. Millions of Americans lack insurance for outpatient prescription drugs, including many Medicare beneficiaries—seniors and people with disabilities—who are the heaviest users of prescription drugs.**
 - 65 million Americans do not have insurance for outpatient prescription drugs.¹
 - 27 percent of Medicare beneficiaries have no prescription drug insurance.²
 - At least one in four Medicare beneficiaries with insurance coverage has coverage for only part of the year.³
 - On average, Medicare beneficiaries spend more than \$1,000 per year out-of-pocket on prescription drugs.⁴
 - Seniors account for 43 cents of every dollar spent in the U.S. for prescription drugs.⁵

 - 2 The millions who lack drug coverage face ever-rising prescription drug costs. Price increases hit them the hardest.**
 - Drug spending increased 18.8 percent from 1999 to 2000.⁶
 - Price increases are high among drugs used by seniors. From January 1996 to January 2001, the prices of the prescription drugs most frequently used by seniors rose at nearly twice the rate of inflation.⁷
 - Those uninsured for drugs pay more for prescription drugs than other groups. A multi-state study of prescription drug sales found that uninsured seniors and persons with disabilities were charged prices that were, on average, twice as much as the prices charged to HMOs, large insurance companies, or federal agencies.⁸

 - 3 Low-income people are disproportionately affected. They are less likely to have coverage and more likely to have difficulty coping with rising drug prices.**
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- A disproportionate number of low-income Medicare beneficiaries lack drug coverage—34 percent of beneficiaries with incomes between 100 percent and 150 percent of poverty lack drug coverage, compared to 23 percent of those with incomes above 300 percent of poverty. Roughly half of beneficiaries without drug insurance have incomes below 175 percent of poverty.⁹
- Because drug price inflation is higher than the general inflation rate, drugs are increasingly harder for low-income individuals and the elderly, who are often on fixed incomes, to afford.¹⁰
- 4 At the same time that drug prices are rising, employers are cutting back on drug coverage, thereby increasing the ranks of those uninsured or underinsured for prescription drugs.**
 - Employer-sponsored health insurance, the largest source of outpatient drug coverage for Medicare beneficiaries, is on the decline.¹¹
- 5 Those lacking drug coverage often can't afford the medications they need. Because drugs are an integral part of medical care, an inability to obtain needed medications can lead to more expensive medical problems.**
 - Medicare beneficiaries without drug coverage fill an average of one-third fewer prescriptions a year than those with drug coverage.¹²
 - 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 similar health conditions.¹³
- 6 There's no relief in sight. A prescription drug benefit in Medicare won't be in place for some time. In the meantime, millions of seniors and people with disabilities will continue to have difficulty affording critical, sometimes life-saving, medications. Even if Medicare had a prescription drug benefit, millions of non-Medicare beneficiaries would continue to be without drug coverage. They could be helped through state programs.**
 - “The slim chance that legislation establishing a Medicare prescription drug benefit will be approved by Congress this year has all but evaporated in the wake of the September 11 attack on the World Trade Center and Pentagon, according to congressional and industry sources.”¹⁴
 - “Another casualty of the attacks is a prescription drug benefit for the American people.... There's no money left in the till.”¹⁵

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 *The Medicare Program: Medicare and Prescription Drugs* (Washington: The Henry J. Kaiser Family Foundation, May 2001).

³ Ibid.

⁴ *Fast Facts, Medicare and Prescription Drugs* (Washington: National Institute for Health Care Management, 2001).

⁵ *The Medicare Program*, op. cit.

⁶ Steven Findlay, op. cit.

⁷ *Enough to Make You Sick: Prescription Drug Prices for the Elderly* (Washington: Families USA, June 2001).

⁸ Public Citizen, *State Drug Price Surveys Find Seniors Pay Double*, November 8, 1999, accessed on July 25, 2001 at (<http://www.citizen.org/Press/pr-drugs9.htm>).

⁹ *The Medicare Program*, op. cit.

¹⁰ *Enough to Make You Sick: Prescription Drug Prices for the Elderly*, op. cit.

¹¹ John Dieker, et al., *Retiree Health Benefits*, U.S. General Accounting Office, May 2001. Available at (<http://www.gao.gov>).

¹² *Fast Facts, Medicare and Prescription Drugs*, op. cit.

¹³ *Getting Less Care: The Uninsured with Chronic Health Conditions* (Washington: Families USA, February 2001).

¹⁴ Bureau of National Affairs, *Daily Reports for Executives*, No. 180, (Washington: BNA, Wednesday September 19, 2001).

¹⁵ Joseph P. Kennedy II, quoted in Ceci Connolly, "A New Kennedy Campaign on Drug Costs, Former House Member Uses Political Skills to Pitch Prescription Discount Plan," *The Washington Post*, Tuesday, September 25, 2001.