

# WORKING PAPER

## *Executive Summary*

NOVEMBER 2011, WP 2011-19

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## PRESCRIPTION DRUG INSURANCE COVERAGE, DRUG UTILIZATION, AND COST-RELATED NON-ADHERENCE: EVIDENCE FROM THE MEDICARE PART D EXPANSION

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The impact of prescription drug insurance coverage on drug utilization has been an important topic in the last 15 years in health economics and health research, both leading up to and after the implementation of Medicare Part D. A key policy concern, and indeed motive for expansions of coverage, is that the uninsured under-consume drugs because of financial constraints, with the primary avenue being cost-related non-adherence in drug regimens. Furthermore, such non-adherence has direct adverse health consequences. This paper uses the substantial increase in prescription drug coverage for the elderly that resulted from the adoption of Medicare Part D to generate new estimates the impact of insurance coverage on drug utilization and cost-related non-adherence. The analysis uses detailed data on a strongly balanced panel of those 65 and older, observed before and after the implementation of Part D in 2006. The data are drawn from the 2005 and 2007 *Prescription Drug Study* (PDS), administered as a supplement to the *Health and Retirement Study* (HRS), a large nationally representative survey of Americans aged 50 and older. The principal findings are:

- The passage of Part D was associated with a substantial increase in prescription drug coverage from public sources and a decrease in prescription drug coverage from private sources.
- Part D to a large extent crowded out other forms of insurance, with the estimates suggesting crowd-out of 73 percent. Overall, the expansion of Part D raised prescription drug insurance coverage for the elderly by 10 percentage points.
- Gaining coverage resulted in a 15 percent increase in utilization, as measured by the number of prescription drugs taken.
- Gaining coverage was associated with large reductions (20-50 percent) in the incidence of cost-related non-adherence.

- However, even among the uninsured, only a relatively small proportion of drugs (12 percent) were associated with episodes of cost-related non-adherence. So, these large reductions applied to a small slice of all drugs.
- The impact of gaining insurance on non-adherence was concentrated on “old” drugs, those the individual reported having taken for more than two years. “New” prescriptions were not differentially less likely to be associated with episodes of non-adherence.
- There was no impact of gaining insurance on reported side effects, a direct health outcome, and the (individual-assessed) importance of drugs to overall health.

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