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Lack of Prescription Coverage Among the Under 65: A Symptom of Underinsurance

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Prescription drugs are playing an increasingly greater role in the health care delivery system: not only are more Americans using prescription medicines than ever before, but the number of prescriptions per user has increased as has the number of days of therapy per prescription.[1] Between 1977 and 1998, the proportion of Americans taking at least one prescription rose from 58 to 66 percent and the average number of prescriptions per person more than doubled.[2] The daily cost of using drugs also has increased due to the higher cost of new drug therapies, inflation in the cost of older drugs, and a change in the mix of drugs prescribed.

Recent examinations of national health expenditures find that spending on prescription drugs rose 15.3 percent in 2002, to $162 billion.[3] In 2002, expenditures on prescription drugs accounted for 12.1 percent of personal health care spending, up from 8.6 percent in 1988. Since 1993, average annual rates of growth for spending on drugs have been 10 percent or greater, with growth in spending on drugs leading all other health care services in 2001 and 2002.

This increased use and spending have garnered policy attention, largely centered on the elderly because of the political push to add an outpatient Medicare prescription drug benefit. Yet prescription drug benefits are of concern to the under-65 population as well. Findings from this study indicate that lacking drug benefits is a form of underinsurance: nonelderly adults who have health insurance but no drug

benefit are at risk for high out-of-pocket costs and burdensome medical bills—the kinds of problems typically observed among uninsured populations.

The issue brief draws on a 2001 national survey to compare cost-related access problems and medical bill burdens of nonelderly and elderly insured adults, with and without drug coverage. We find that one of three (35%) insured adults 65 and older lacks a prescription drug benefit. But nearly one of 10 (9%) insured adults under 65 also has no coverage for drugs. The findings indicate that adults under 65 who are insured but lack prescription benefits are at high risk of going without needed care. Like their elderly counterparts, they often face high out-of-pocket costs and burdensome medical bills. Thus, for the under-65 population, the lack of a drug benefit may be an indicator of inadequate insurance coverage—one of the more visible signs that a plan has holes in basic coverage. Low-income adults are at greatest risk for inadequate coverage. These findings highlight the need to consider the content and comprehensiveness of insurance in discussions about possible reforms to expand or improve health insurance coverage for the working-age population.

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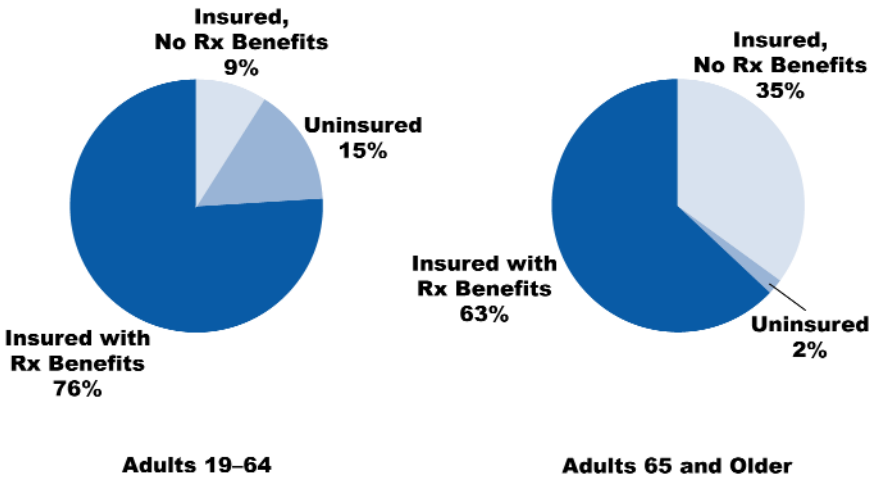
Findings

In 2001, 9 percent of the nonelderly adult population—an estimated 14 million people—were insured but lacked prescription drug coverage, while 15 percent of this population lacked health insurance altogether (Figure 1). While the majority (76%) of nonelderly adults were insured with prescription drug benefits, far fewer seniors (63%) had insurance with prescription drug coverage. More than one-third (35%) of adults 65 and older lacked a prescription benefit.

Figure 1

Distribution of Prescription Drug Benefits Among Elderly and Nonelderly Adults, 2001

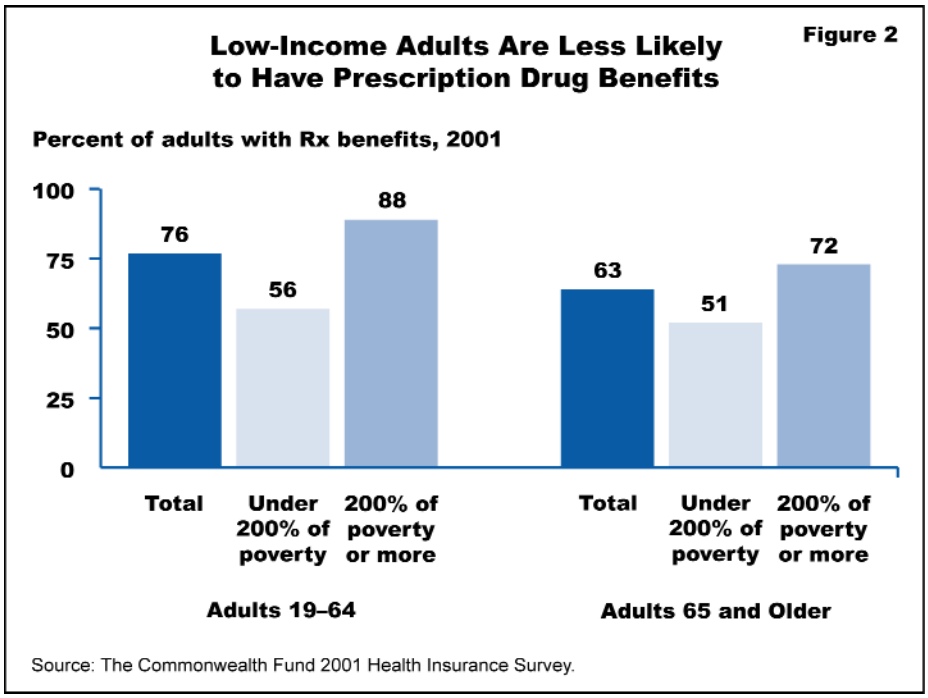


Source: The Commonwealth Fund 2001 Health Insurance Survey.

Drug coverage rates among the insured generally were high, but low-income populations (those with incomes below 200 percent of poverty) were least likely to have drug benefits—or have any insurance at all.[4] Just 56 percent of low-income nonelderly adults and 51 percent of low-income seniors had prescription drug benefits (Figure 2).

Cost-Related Access Problems

Among nonelderly adults, being insured without drug benefits increases the likelihood of going without prescription drugs and forgoing other needed health care. Insured adults 19 to 64 years without drug coverage are nearly twice as likely as those with drug coverage to report having not filled a prescription due to cost (28% vs. 16%) (Figure 3).[5] Despite having insurance coverage for other medical expenses, adults without drug benefits are significantly more likely than those with drug benefits to skip recommended tests or follow-up care (24% vs. 11%) or forgo seeing a doctor



when sick (27% vs. 13%) because of cost.[6] Rates of not filling prescriptions among insured adults without drug benefits were similar to those reported by uninsured adults. But uninsured adults forgo other kinds of health care because of cost at significantly higher rates than other groups.

By contrast, among the elderly, differences between those with and without drug coverage reporting cost-related access problems are not statistically significant. Yet, differences still emerge: 14 percent of the elderly without drug coverage did not fill a prescription because of cost, compared with 9 percent of seniors with drug coverage.

Financial Burdens for Those Without Drug Benefits

Those without drug coverage not only forgo needed care, but face burdensome medical bills and high out-of-pocket expenses when they do receive care. Nonelderly adults without drug coverage are significantly more likely than those with such coverage to have problems paying medical bills, even after taking into account income and health status. Thirty percent of those without drug coverage reported such a problem, compared with just 23 percent of those with coverage (Figure 4). The uninsured are particularly at risk, with nearly half (47%) reporting that they were unable to pay for medical bills. One of five (21%) nonelderly adults without drug coverage reported having to change their way of life significantly to pay medical bills, compared with just 13 percent of adults with drug coverage. Not surprisingly, out-of-pocket expenses on prescription drugs are generally much higher for those who have no third-party coverage for drugs. One-quarter (26%) of nonelderly adults without drug benefits had out-of-pocket expenses that constituted 5 percent or more of their annual income, whereas only

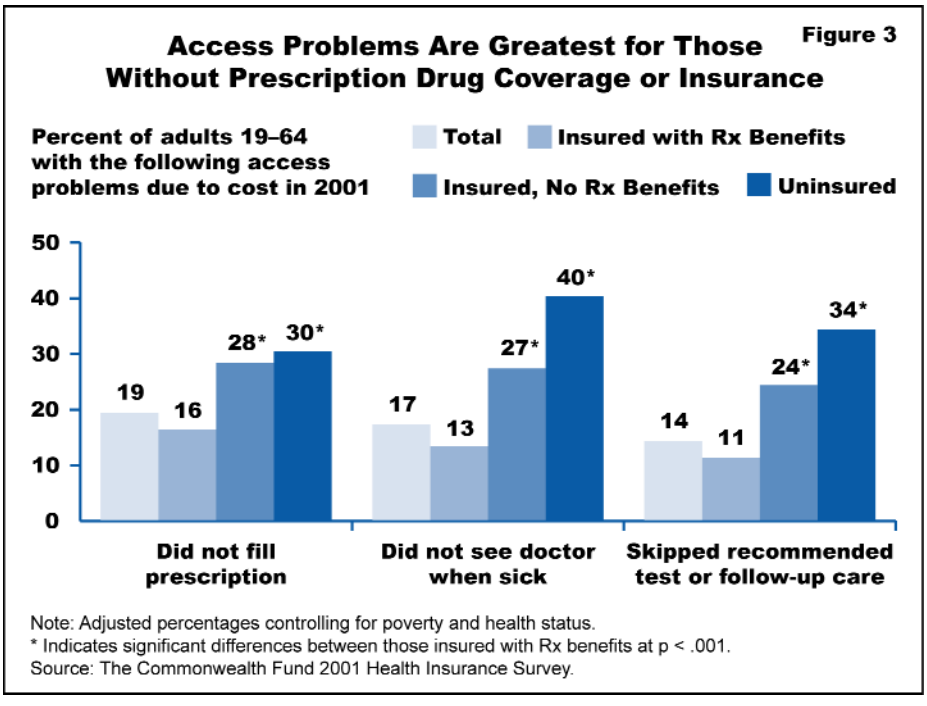
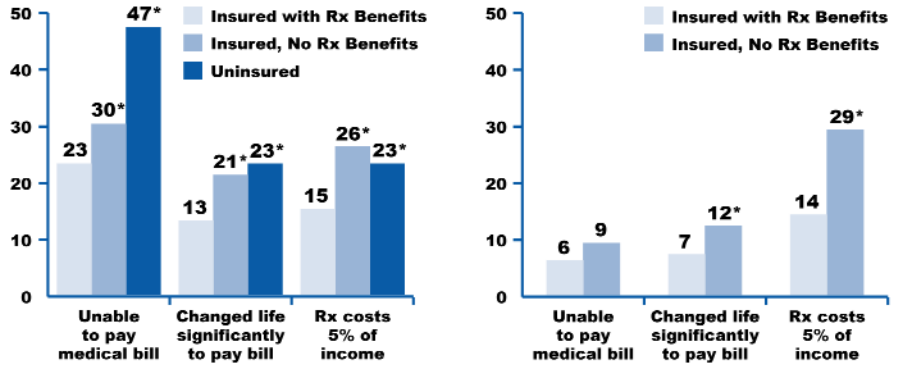


Figure 4

Medical Bill Problems and High Out-of-Pocket Costs Are Greatest for Adults Without Drug Benefits and the Uninsured



Note: Adjusted percentages controlling for poverty and health status.
* Indicates significant differences between those insured with Rx benefits at $p < .05$.
Source: The Commonwealth Fund 2001 Health Insurance Survey.

15 percent of adults with coverage reported such expenses.

Despite their Medicare coverage, seniors without drug coverage also face medical bill problems and high out-of-pocket expenses. Twelve percent of seniors without drug benefits reported having to change their way of life significantly to pay their medical bills, compared with just 7 percent of those with drug coverage. Even after adjusting for income and health status, 29 percent of seniors without coverage spent at least 5 percent of their income on drug costs, compared with just 14 percent of seniors with drug benefits.

Lacking Drug Coverage Is an Indicator of Other Health Plan Problems

The insured with prescription drug coverage are more likely than those without such coverage to rate their insurance plan favorably—21 percent of 19- to 64-year-old adults with drug coverage and 35 percent of seniors with drug coverage said their insurance was excellent (Table 1). By contrast, 14 percent of working-age adults without drug coverage and 25 percent of the elderly without such coverage rated their plans as excellent. Even after adjusting for income and health status, differences between those with and without drug coverage remain statistically significant. Not having drug coverage appears to be related to other insurance problems. Overall, 61 percent of the nonelderly without drug coverage reported at least one insurance problem, compared with 45 percent of the nonelderly with coverage. Among the elderly, 49 percent of those without drug coverage had at least one insurance problem, while just 29 percent of those with drug coverage reported at least one such problem.

In general, the nonelderly are less satisfied with their health plans than are the elderly. A previous study found that Medicare beneficiaries (65 and older) were more likely than adults 19 to 64 enrolled in employer-sponsored plans to rate their health insurance as excellent (32% vs. 20%), and less likely to report negative experiences with their plans (43% vs. 61%), even after adjusting for health status and income.[7]

Discussion

Rising health care costs and the need to contain these costs have led to policy debates of what constitutes a basic health insurance package. Our findings indicate that the absence of drug benefits is a marker of inadequate insurance coverage for nonelderly as well as elderly adults. Adults without drug benefits face financial burdens in purchasing prescription pharmaceuticals and are significantly more likely to face high out-of-pocket costs relative to their incomes. Furthermore, those who have insurance but lack drug benefits are more likely to go without needed medical care beyond medications and, in general, are more likely to rate their insurance negatively. This absence of drug

Table 1. Satisfaction and Confidence Experiences with Insurance Plan Among Insured Adults with or Without Prescription Coverage, 2001

		Age 19–64		Age 65+	
	Total	With Prescription	Without Prescription	With Prescription	Without Prescription
Rating of Insurance					
Excellent	23%	21%	14%★	35%	25%★
Very good	32	33	19	35	29
Good	26	26	28	15	26
Fair/Poor	19	18	34	11	19
Problems with Insurance Plan					
Plan did not pay anything for care respondent thought was covered	21	23	27★	8	12
Reached limit on what plan paid for specific illness/injury	10	11	18★	‡	‡
Paid a lot out-of-pocket for Rx or dental	36	36	51★	21	45★
Had difficulty getting referral to specialist	9	10	11	‡	‡
Any one of above problems	44	45	61★	29	49★
No problems with insurance plan	45	52	37★	64	44★

★ Significantly different from those with drug coverage at $p < .05$. ‡ Cell sizes too small to permit meaningful comparison.
Source: The Commonwealth Fund 2001 Health Insurance Survey.

benefits appears to be one of the more visible signs of other holes in insurance benefits. Adults with employment-related coverage and those with higher family incomes are most likely to have other types of supplemental coverage, including drug, dental, and vision. These more comprehensive policies likely account for the higher satisfaction levels and lower incidence of access problems and medical bill concerns.

Public and policy attention has focused mainly on the health and financial burdens faced by Medicare beneficiaries (65 and older) without drug benefits. Yet, this study indicates that nonelderly adults who lack drug benefits or are uninsured are at high risk for such burdens as well. As drug prices and private health insurance premiums continue to rise and states face the worst budget deficits in years, private insurance programs and Medicaid programs alike have been cutting back on the scope of benefits and instituting increases in patient cost-sharing, including multi-tiered copayment structures for drugs.[8] Reductions in benefits—including the possible spread of policies without a basic drug benefit—are likely to increase the unmet needs and financial burdens among the under-65 population, especially those with lower incomes.

If inadequate coverage results in patients cutting corners, including taking less medication than prescribed or not filling prescriptions for essential drugs, then patients' short- and long-term health may be adversely affected. Furthermore, reductions in the use of essential drugs may lead to a greater use of emergency departments or increased hospitalizations—thus raising overall health care costs.[9]

These findings have implications for future policy reforms aimed at expanding coverage to the uninsured, including efforts to provide premium assistance or tax credits to make coverage more affordable. They point to the need to attend to the content of insurance benefits—not just whether or not individuals are insured. The scope of basic benefits, including prescription drugs, will matter if the policy goal is to improve access to care and reduce the likelihood of unaffordable medical bills.

NOTES

[1] S. S. Wallack et al., *Recent Trends in Prescription Drug Spending for Insured Individuals Under 65 and Age 65 and Older* (Waltham, Mass.: Schneider Institute for Health Policy, Brandeis University, July 30, 2001).

[2] J. Moeller and H. Levy, *Prescribed Medicines in Ambulatory Care Settings: A Comparison of Use, Expenditures, and Sources of Payment, 1977 and 1987,* AHCPR Pub. No. 95-0062 (June 1995); *National Medical Expenditure Survey Research Findings 24* (Rockville, Md.: Agency for Health Care Policy and Research, Public Health Service); *Center on an Aging Society Data Profile Number 5, Prescription Drugs* (September 2002).

[3] S. Heffler et al., "Health Spending Projections Through 2013," *Health Affairs* Web Exclusive (February 11, 2004): W4-79–W4-93.

[4] Thirty percent of low-income nonelderly adults did not have any insurance in 2001. L. Duchon et al., *Security Matters: How Instability in Health Insurance Puts U.S. Workers at Risk* (New York: The Commonwealth Fund, December 2001).

[5] Estimates are adjusted percentages, controlling for poverty and health status. Odds ratio not shown.

[6] Ibid.

[7] K. Davis et al., "Medicare Versus Private Insurance: Rhetoric and Reality," *Health Affairs* Web Exclusive (October 9, 2002): W311–W324.

[8] Forty-five states are making changes to their prescription drug coverage for FY 2003, including increasing the need for prior authorization and new or higher copayments. V. Smith et al., *Medicaid Spending Growth: A 50 State Update for FY 2003,* Issue Paper (Washington, D.C.: Kaiser Commission on Medicaid and the Uninsured, January 2003); J. Gabel et al., "Health Benefits in 2003: Premiums Reach Thirteen-Year High as Employers Adopt New Forms of Cost-Sharing," *Health Affairs* 22 (September/October 2003): 117–26.

[9] R. Tamblyn et al., "Adverse Events Associated with Prescription Drug Cost-Sharing Among Poor and Elderly Persons," *Journal of the American Medical Association* 285 (January 24/31, 2001): 421–29.

SURVEY DESCRIPTION AND METHODS

Data come from the Commonwealth Fund 2001 Health Insurance Survey, conducted from April 27 to July 29, 2001, among 3,508 adults ages 19 and older living in households with a telephone and within the continental United States. The survey consisted of 25-minute telephone interviews either in English or Spanish. The overall survey response rate was 54 percent.

The sample is restricted to 2,829 adults ages 19–64 and 628 adults 65 and older. Respondents not reporting their age were dropped from the analysis. The final sample is weighted to the U.S. population based on age, sex, race/ethnicity, education, household size, geographic region, and telephone service interruption using the U.S. Census Bureau's March 2000 Current Population Survey.

In order to understand differences in the characteristics and experiences of those with and without prescription drug coverage, multivariate models were estimated that control for income and burden of illness (defined as reporting fair or poor health status, a disability, or a chronic health condition). The adjusted percentages presented in Figures 3 and 4 take into account the underlying differences in poverty and health status between individuals with and without prescription drug coverage.

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