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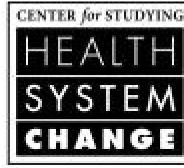

Providing Insights that Contribute to Better Health Policy

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More Than 1 in 4 Medicaid Beneficiaries Can't Afford Prescription Drugs

National Study Indicates State Medicaid Cost-Containment Policies Curtail Access to Drugs

WASHINGTON, D.C.—Medicaid beneficiaries in states trying more aggressively to contain escalating prescription drug spending are twice as likely to report they can't afford medications as people in states with less stringent policies, according to a national study released today by the Center for Studying Health System Change (HSC).

Although all states offer prescription drug coverage for most Medicaid beneficiaries, 26 percent of Medicaid beneficiaries aged 18 to 64 said they couldn't afford to get a prescription filled in the previous year, according to findings from HSC's 2000-01 Community Tracking Study Household Survey, a nationally representative survey involving about 60,000 people in 33,000 families. Medicaid is the joint federal-state program that provides health care coverage to about 37.8 million low-income and disabled people of all ages.

"The findings are surprising because Medicaid is expected to ensure access to affordable care for the poorest and sickest Americans," said Len Nichols, Ph.D, vice president of HSC, a nonpartisan policy research organization funded by The Robert Wood Johnson Foundation. "The study raises serious questions about the impact of state efforts to control Medicaid drug spending."

The prescription drug access problems experienced by Medicaid beneficiaries are virtually the same as the uninsured—26 percent vs. 29 percent. In contrast, only 8 percent of people with employer-sponsored coverage said they couldn't afford a prescribed drug in the previous year. Similarly, only 8 percent of elderly Medicare beneficiaries said they couldn't fill a prescription. Medicare, the federal program that provides coverage to the elderly and disabled, does not cover most outpatient prescription drugs, but about two-thirds of Medicare beneficiaries have drug coverage through other sources.

The study findings are detailed in a new HSC Issue Brief—*Prescription Drug Access: Not Just a Medicare Problem*—available online at *www.hschange.org*. A webcast of this briefing will be made available by *kaisernetwork.org*, a free service of the Kaiser Family Foundation, after 3 p.m. EDT on Tuesday, April 9. The webcast, transcript and related resources can be found at http://www.kaisernetwork.org/healthcast/hsc/09apr02.

Although Medicaid cost-containment methods vary from state to state, the most common include imposing nominal copayments, setting dispensing limits that restrict the number of prescriptions, mandating substitution of generic drugs for brand-name drugs, requiring prior authorization requirements for certain drugs and issuing step-therapy protocols that require physicians to try lower-cost drugs before prescribing more costly alternatives.

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Individual cost-containment techniques had little impact on Medicaid beneficiaries' access to prescription drugs, but multiple cost-containment methods affected access to prescription drugs to a much greater extent. Medicaid beneficiaries aged 18 to 64 in states with four or five cost-containment measures were about twice as likely to report cost barriers as those living in states with either one or no cost-containment policies, the study found.

"An unintended consequence of aggressive state cost-containment policies might be reduced Medicaid beneficiary access to needed prescription drugs," said Peter J. Cunningham, Ph.D., a senior HSC health researcher and author of the study.

Medicaid beneficiaries' lower incomes and poorer health compound the problems they have affording prescription drugs. Half of Medicaid beneficiaries aged 18 to 64 have incomes below the federal poverty level, or $8,590 for a single person in 2001, while three-quarters have incomes below 200 percent of poverty. In comparison, 3 percent of people with employer coverage have incomes below poverty and 14 percent have incomes below 200 percent of poverty.

More than half of Medicaid beneficiaries aged 18 to 64 have at least one chronic condition, such as diabetes, heart disease or depression, while less than one-third of people with employer coverage have a chronic condition. More than 40 percent of Medicaid beneficiaries with two or more chronic conditions reported they couldn't afford to fill a prescription.

Many states are facing budget shortfalls, and state officials often point to increased Medicaid spending, especially for prescription drugs, as a significant cause of the shortfalls, along with decreasing state revenues.

"While many private insurers use similar cost-containment methods, policy makers should keep in mind that aggressive cost-containment policies are likely to have a greater impact on Medicaid beneficiaries because they have poorer health and lower incomes than privately insured people," Nichols said.

Stakeholder Comments on the HSC Study

Joan Henneberry, director of health policy studies division, National Governors Association, *www.nga.org*
"There's no question that cost-containment measures affect access to prescription drugs, but that may be a positive outcome because we know Medicaid beneficiaries often are getting too many medications, duplicative medications from various doctors, and in some cases, medications that are contraindicated and dangerous. More and more employers and states are turning to pharmacy benefit managers, not just to manage costs, but to find out if managing pharmacy benefits more actively will improve health outcomes by reducing inappropriate or unnecessary use."

Ron Pollack, executive director, Families USA, *www.familiesusa.org*
"There is a huge difference in impact for low-income people concerning the type of cost-control mechanism used by state Medicaid programs. State efforts to control drug costs should focus on changing prescribing behavior—such as promoting generics—and getting better drug discounts rather than penalizing low-income beneficiaries with unaffordable cost sharing or arbitrary limits on the number of drugs they can purchase."

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Leighton Ku, Ph.D., senior health policy fellow, Center on Budget and Policy Priorities,
www.cbpp.org
"This report shows that Medicaid can make it easier for low-income people to get access to prescription drugs, compared to those who lack insurance. However, it also indicates that well-intentioned efforts by state Medicaid agencies to contain drug costs can be overly zealous and backfire, harming the sickest beneficiaries. Ultimately, this underscores the importance of efforts to get at the root of the problem and to limit how much states pay drug manufacturers, not just to limit access for low-income beneficiaries."

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The Center for Studying Health System Change is a nonpartisan policy research organization committed to providing objective and timely research on the nation's changing health system to help inform policy makers and contribute to better health care policy. HSC, based in Washington, D.C., is funded by The Robert Wood Johnson Foundation and affiliated with Mathematica Policy Research, Inc.