

Medicare and Prescription Drug Spending Chartpack

June 2003

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Methods

Data and analysis for the chartpack were provided by Actuarial Research Corporation (ARC).

Section 1

Total and Out-of-Pocket Prescription Drug Spending, 2003

Key Findings

Medicare Beneficiaries' Drug Spending, 2003

- **Total Drug Spending, 2003:** Medicare beneficiaries are estimated to incur \$2,322 in total drug spending, on average, in 2003. Total spending includes payments from all sources, including employer plans, Medicaid and other insurers, as well as out-of-pocket payments.
 - Average total spending on prescription drugs per beneficiary varies by source of drug coverage, but is considerably lower for those who lack drug coverage (\$1,356)
 - Average drug spending for beneficiaries in fair or poor health (\$3,127) is roughly 1.5 times higher than for those in excellent, very good, or good health (\$2,001)
- **Out-of-Pocket Drug Spending, 2003:** Medicare beneficiaries' average out-of-pocket spending is estimated to be \$999 in 2003. Out-of-pocket spending is influenced by many factors, including beneficiaries' health care needs, access to coverage, and the generosity of that coverage.
 - Beneficiaries without any drug coverage have higher average out-of-pocket drug costs (\$1,356) than those with any form of drug coverage.
 - Average annual out-of-pocket spending for those in fair or poor health (\$1,351) in 2003 is considerably higher than the average for those in excellent, very good, or good health (\$858).

Figure 1

Total Prescription Spending for Medicare Beneficiaries, by Source of Prescription Coverage, 2003

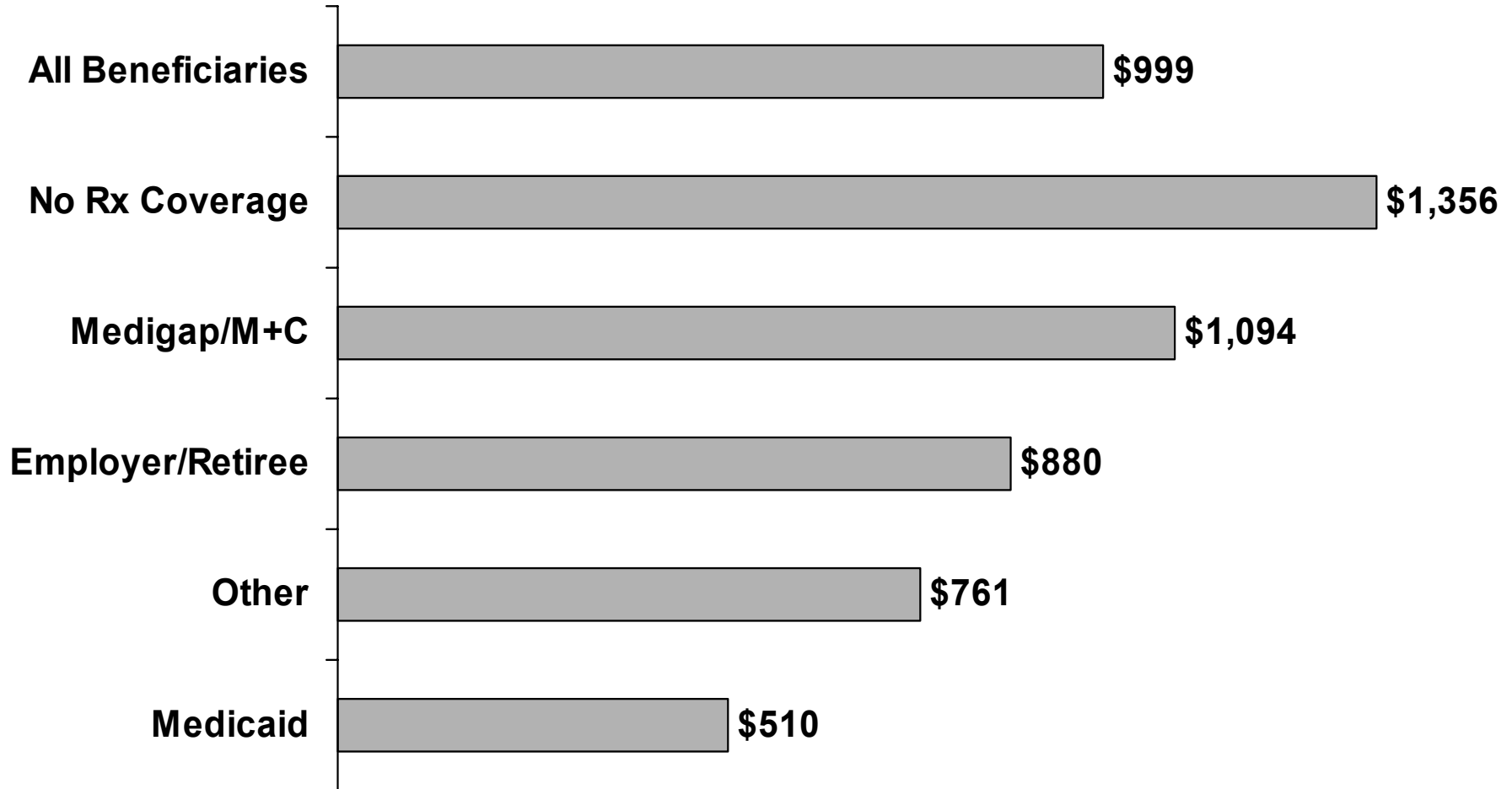


NOTE: Other refers to Champus, VA, and State pharmacy assistance programs.

SOURCE: Actuarial Research Corporation analysis for the Kaiser Family Foundation, June 2003.

Figure 2

Average Out-of-Pocket Drug Spending by Medicare Beneficiaries, by Source of Drug Coverage, 2003

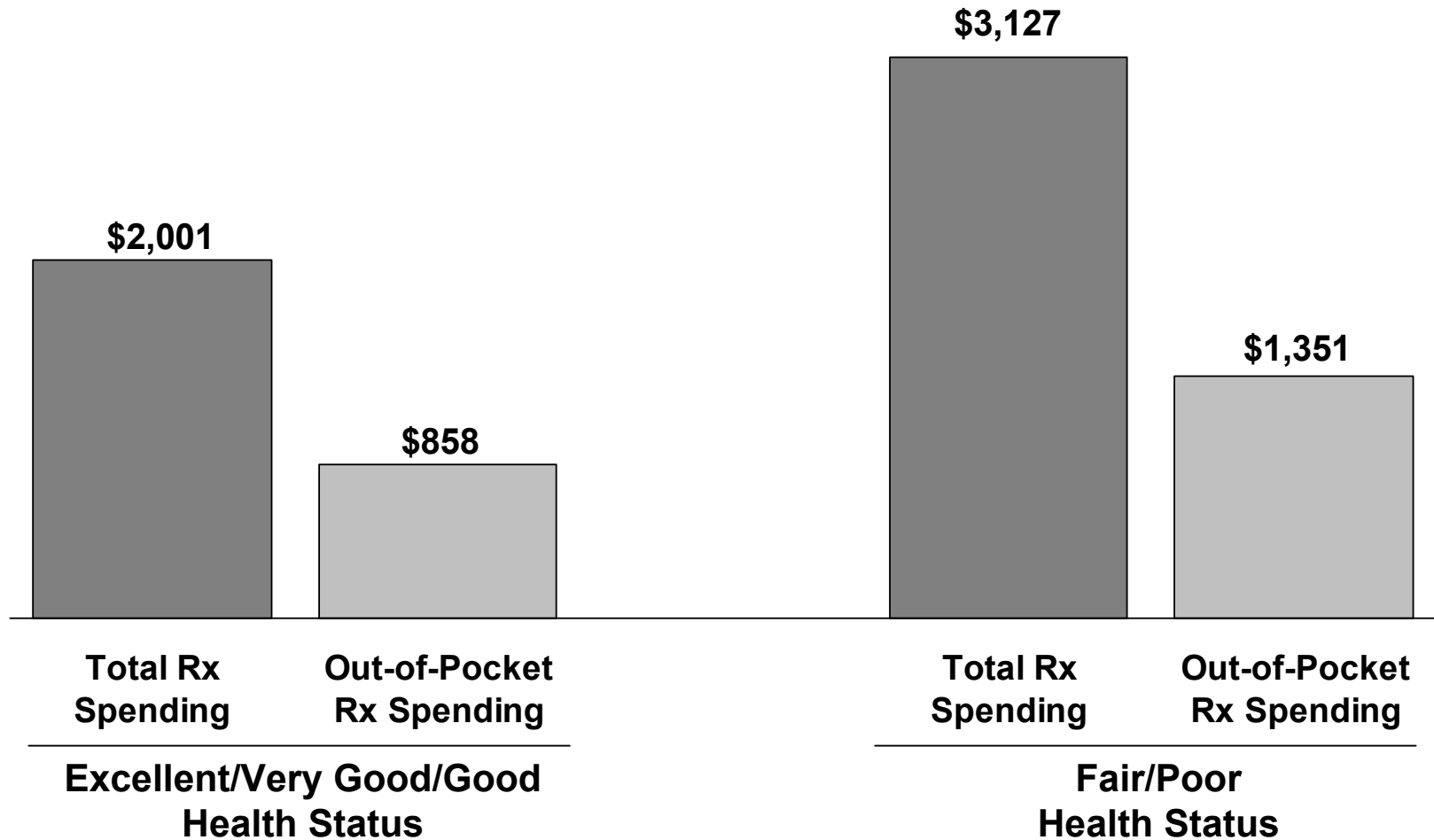


NOTE: Other refers to Champus, VA, and State pharmacy assistance programs.

SOURCE: Actuarial Research Corporation analysis for the Kaiser Family Foundation, June 2003.

Figure 3

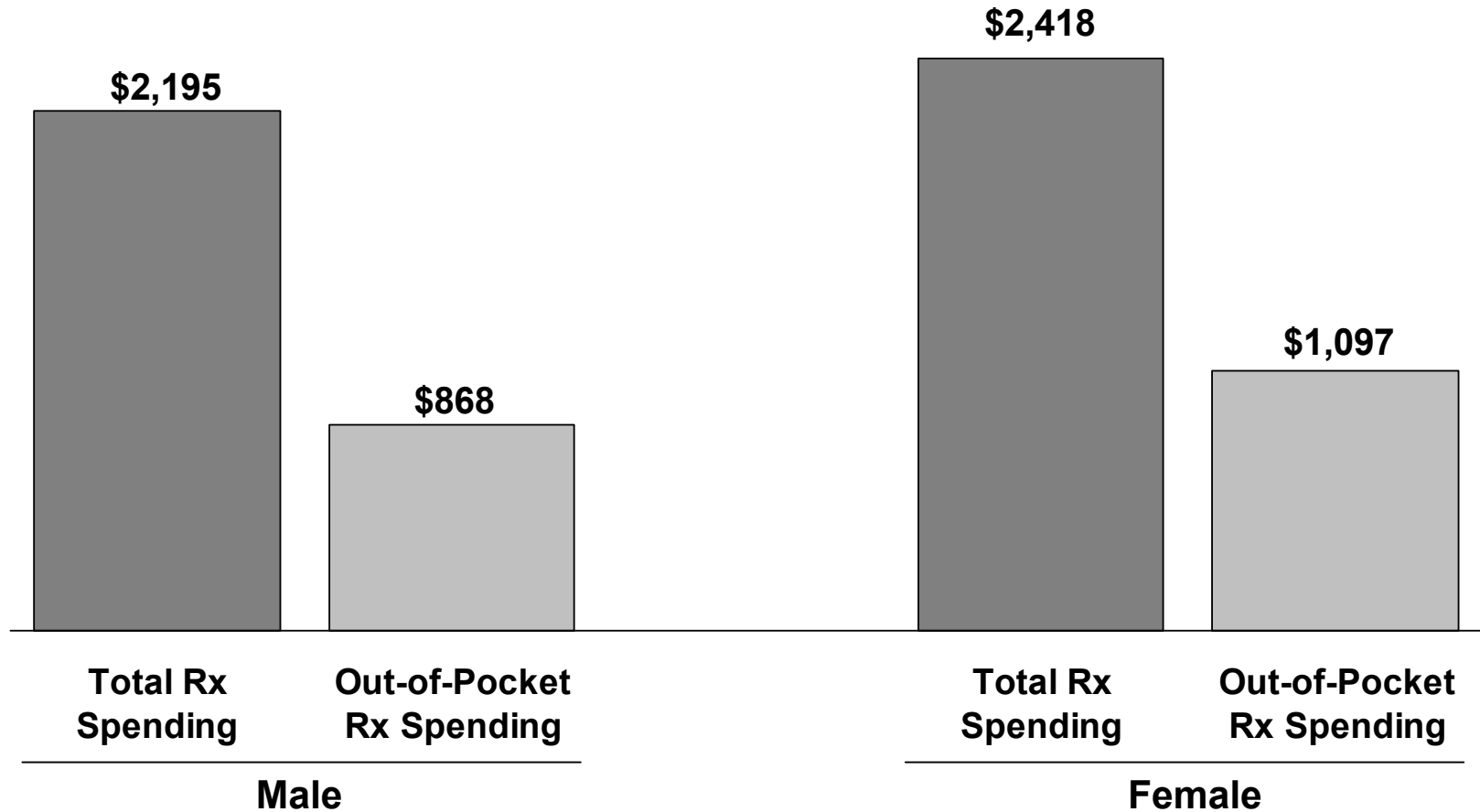
Medicare Beneficiaries' Total and Out-of-Pocket Drug Spending, by Health Status, 2003



SOURCE: Actuarial Research Corporation analysis for the Kaiser Family Foundation, June 2003.

Figure 4

Medicare Beneficiaries' Total and Out-of-Pocket Drug Spending, by Gender, 2003



SOURCE: Actuarial Research Corporation analysis for the Kaiser Family Foundation, June 2003.

Section 2

High Utilizers:

**Who Spends \$4,000 or More Out-of-Pocket
on Prescription Drugs in 2003?**

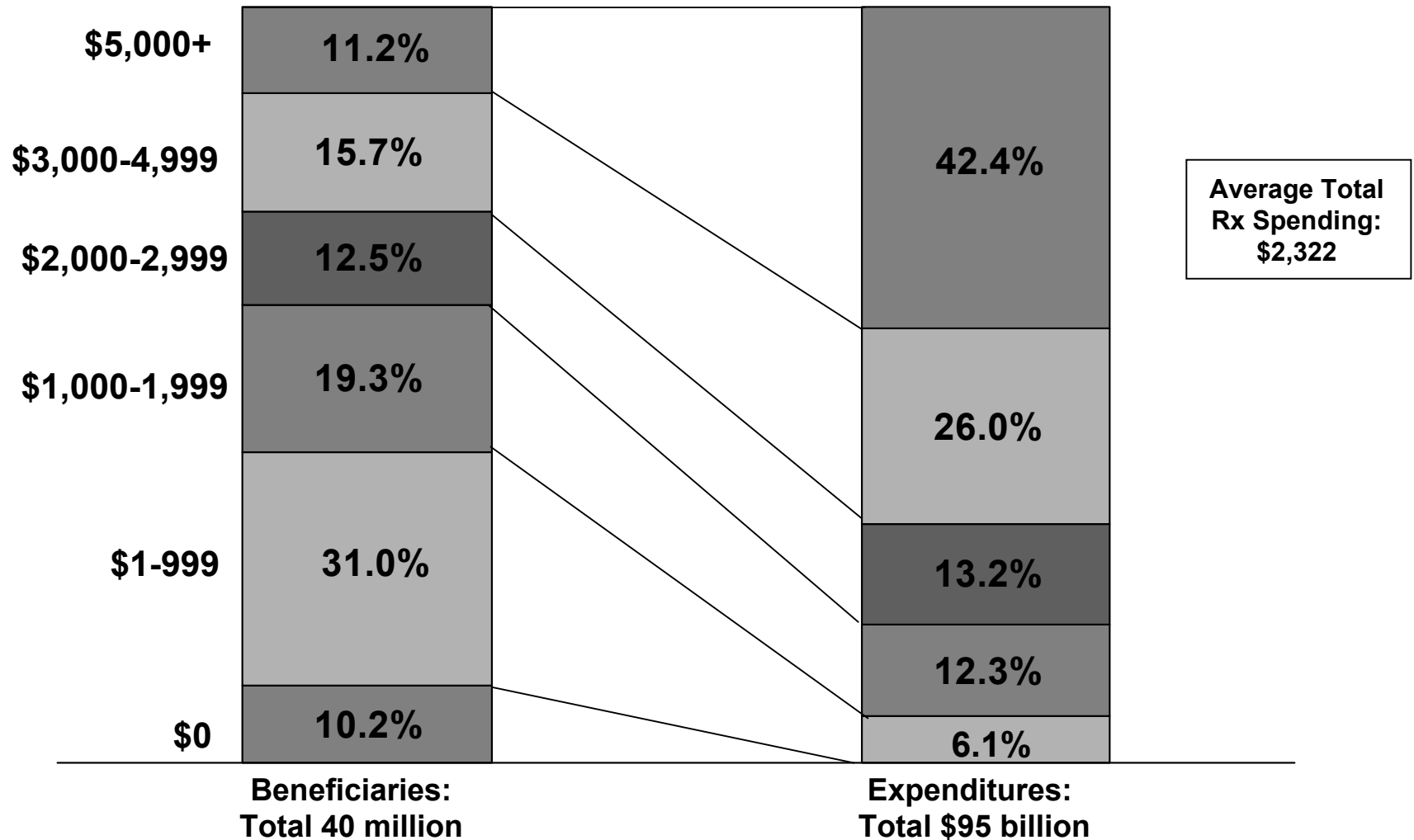
Key Findings

High Drug Utilizers, 2003

- **Eleven percent of beneficiaries have \$5,000 or more in total drug spending in 2003.**
 - These beneficiaries account for 42% of total drug spending among the Medicare population.
- **Nearly four in ten (39%) Medicare beneficiaries have \$2,000 or more in total drug spending in 2003.**
- **Nearly 5 percent of all beneficiaries – roughly 2 million – have \$4,000 or more in out-of-pocket drug spending in 2003.**
 - When looking at those with \$4,000 or more in out-of-pocket drug spending by poverty level: 62% have incomes above 200% poverty (~\$18,000/singles in 2003), 20 percent have incomes between 100 and 200% poverty, and 18 percent have incomes below the poverty level.
 - Nearly half (47%) of those with \$4,000 or more in out-of-pocket drug spending have no prescription drug coverage. Nearly a quarter have employer-sponsored coverage and more than one-fifth have other private insurance (Medigap and Medicare+Choice).
 - Only 2% of those with \$4,000 or more in drug spending are on Medicaid.

Figure 5

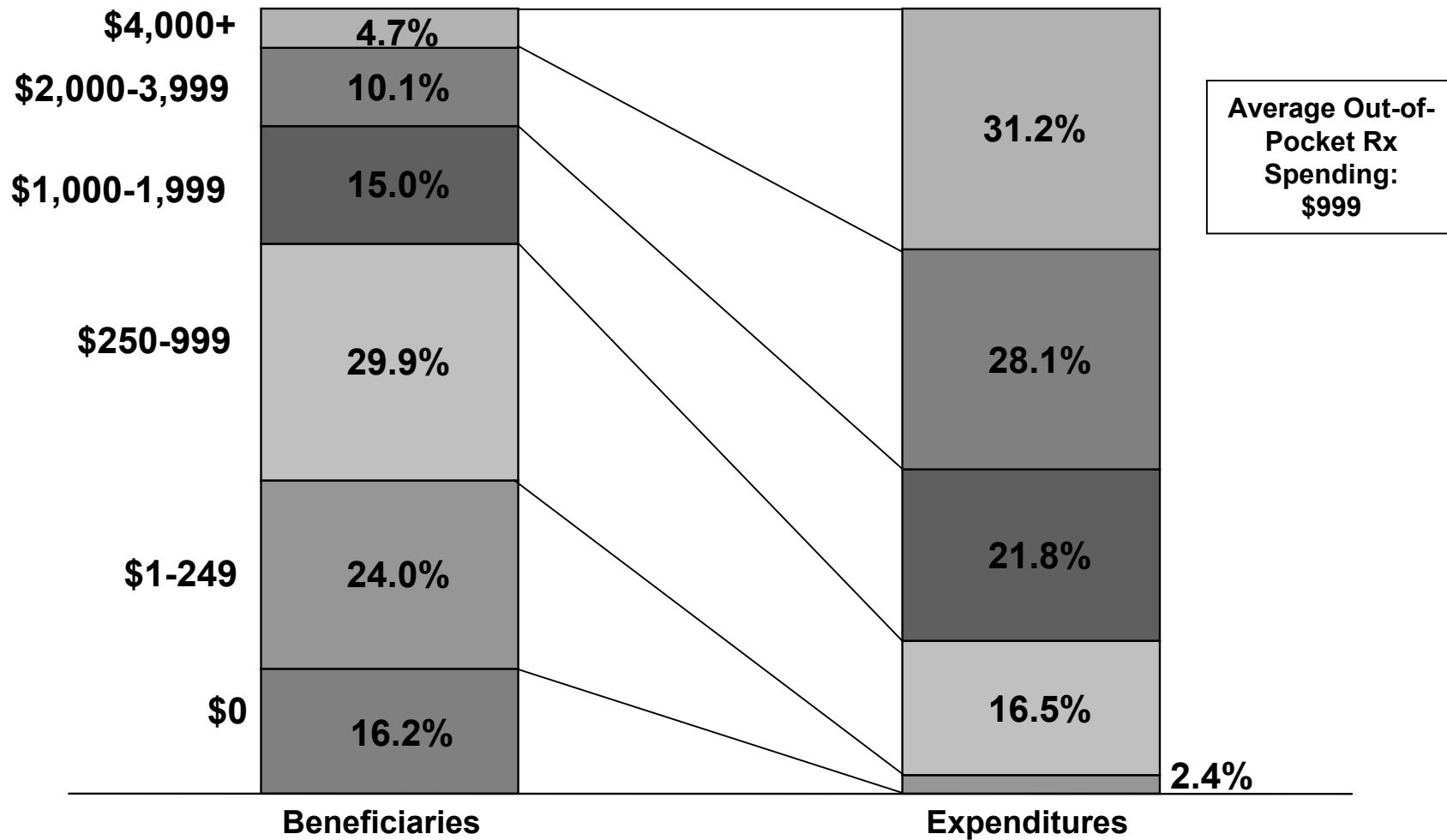
Distribution of Medicare Beneficiaries and Total Drug Expenditures, 2003



SOURCE: Actuarial Research Corporation analysis for the Kaiser Family Foundation, June 2003.

Figure 6

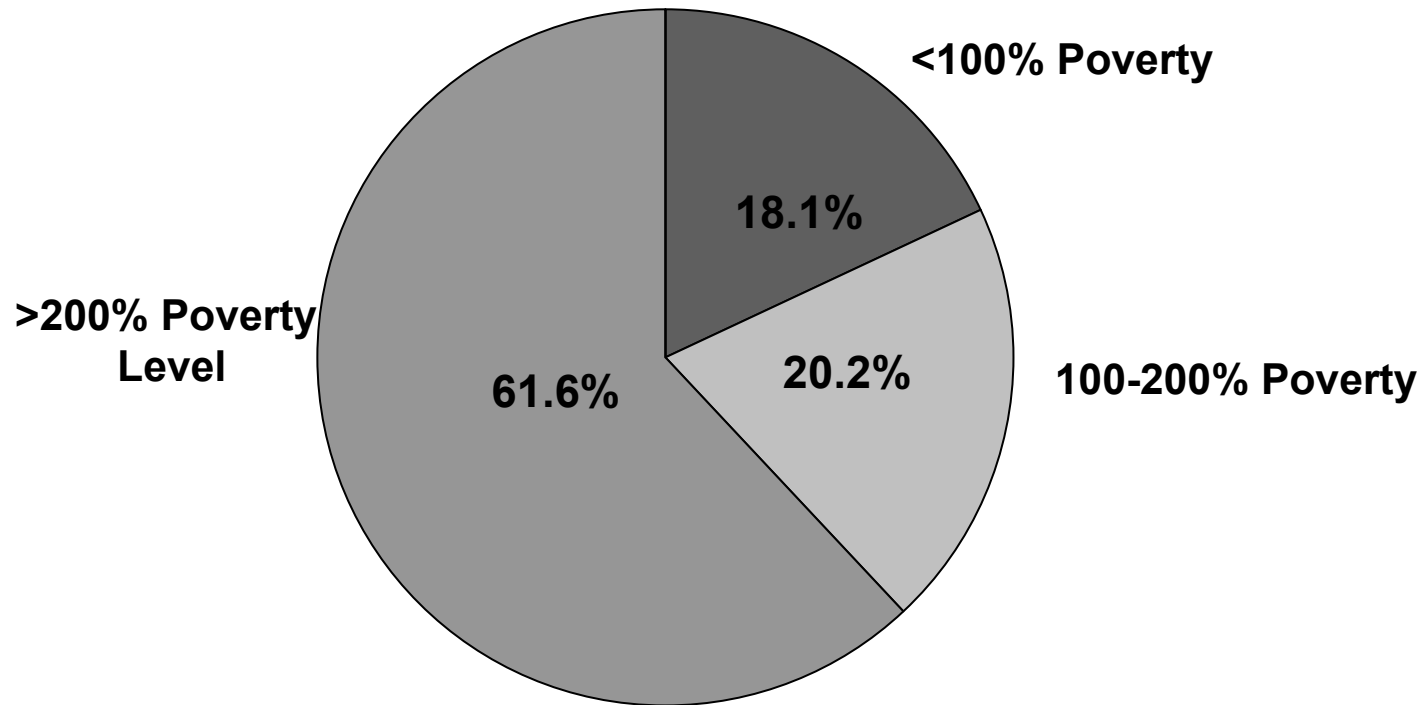
Distribution of Medicare Beneficiaries and Out-of-Pocket Expenditures, 2003



SOURCE: Actuarial Research Corporation analysis for the Kaiser Family Foundation, June 2003.

Figure 7

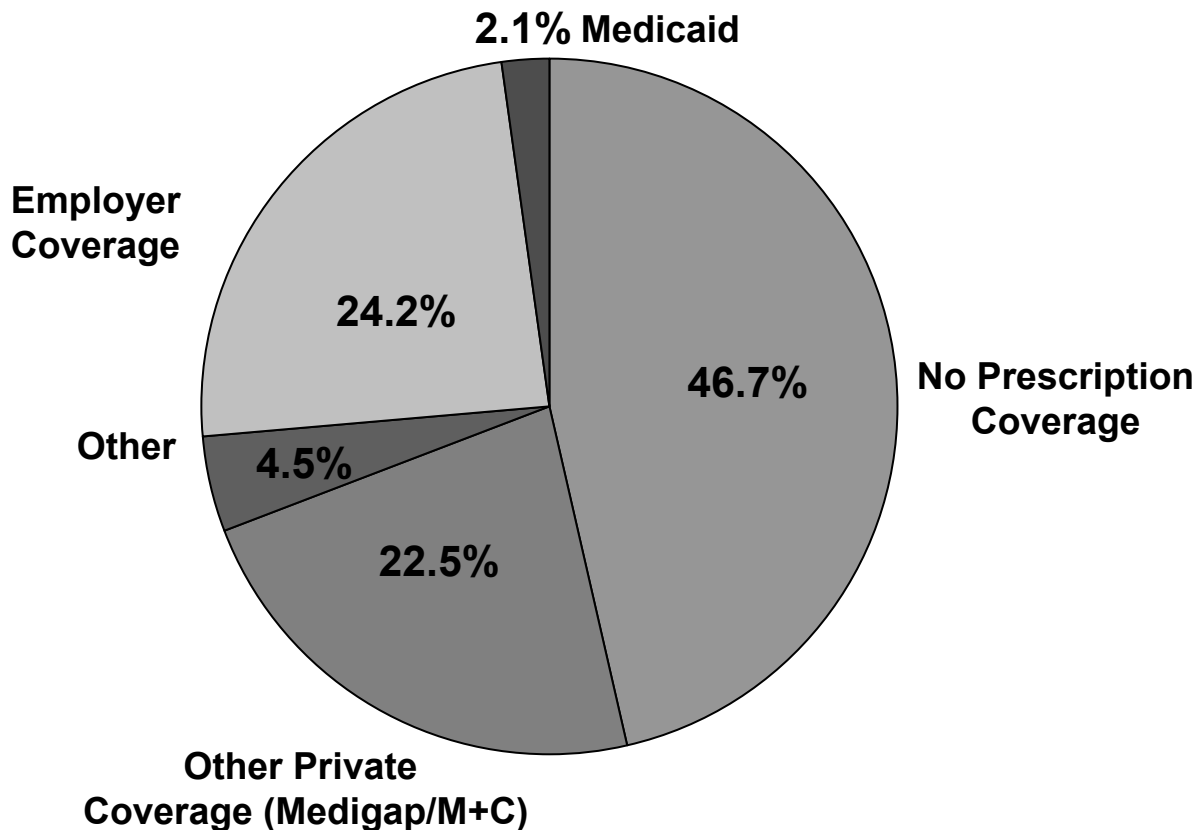
Distribution of Medicare Beneficiaries Who Spend \$4,000 or More Out-of-Pocket on Drugs, by Poverty Level, 2003



**Total = 2 million Medicare beneficiaries
spend \$4,000 or more out-of-pocket on
drugs**

Figure 8

Distribution of Medicare Beneficiaries Who Spend \$4,000 or More Out-of-Pocket on Drugs, by Source of Prescription Insurance Status, 2003



Total = 2 million Medicare beneficiaries spend \$4,000 or more out-of-pocket on drugs

NOTE: Other refers to Champus, VA, and State pharmacy assistance programs.

SOURCE: Actuarial Research Corporation analysis for the Kaiser Family Foundation, June 2003.

Section 3

Total and Out-of-Pocket Prescription Drug Spending, 2000-2006

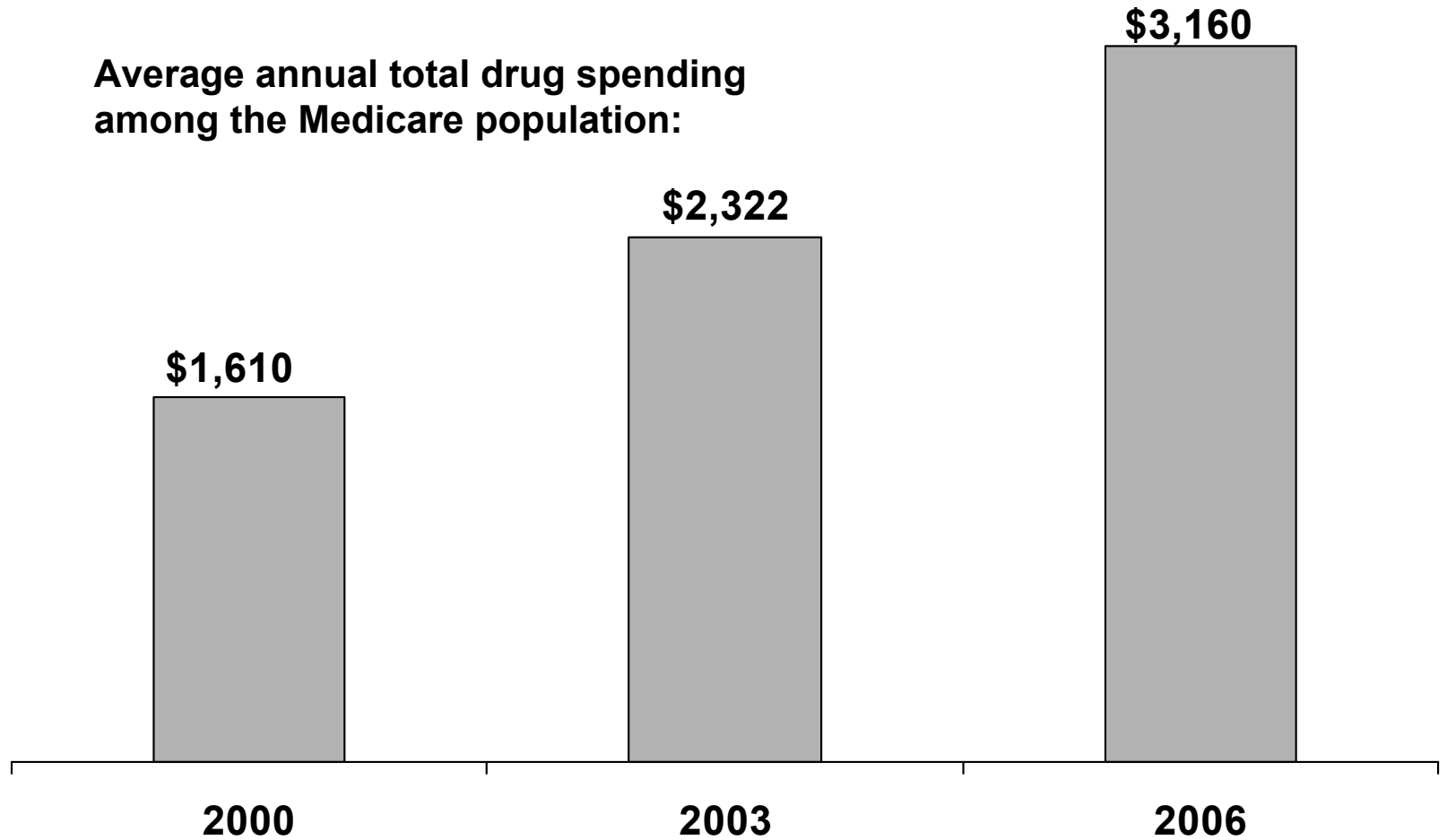
Key Findings

Drug Spending per Medicare Beneficiary, 2000 – 2006

- **Between 2000 and 2003, average annual total drug spending per beneficiary increased from \$1,610 to \$2,322, and is projected to increase to \$3,160 in 2006.**
 - Between 2000 and 2006, average annual total drug spending is projected to nearly double.
- **Between 2000 and 2003, average annual out-of-pocket drug spending per beneficiary increased from \$644 to \$999, and is projected to increase to \$1,454 in 2006.**
 - Between 2000 and 2006, average annual out-of-pocket drug spending is expected to more than double.

Figure 9

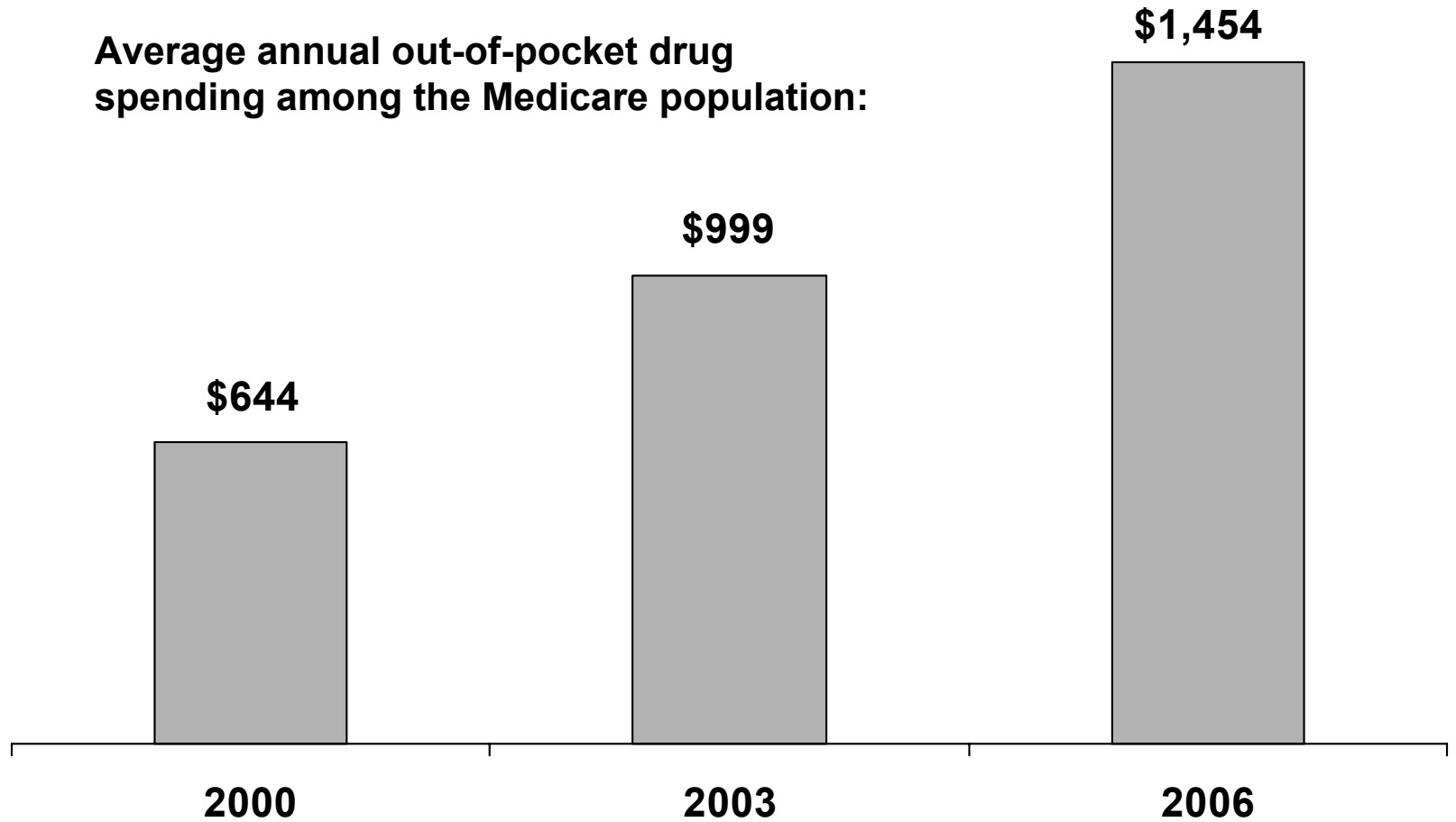
Medicare Beneficiaries' Total Prescription Drug Spending, 2000-2006



SOURCE: Actuarial Research Corporation analysis for the Kaiser Family Foundation, June 2003.

Figure 10

Medicare Beneficiaries' Out-of-Pocket Prescription Drug Spending, 2000-2006



SOURCE: Actuarial Research Corporation analysis for the Kaiser Family Foundation, June 2003.

Section 4

Total and Out-of-Pocket Prescription Drug Spending, 2006

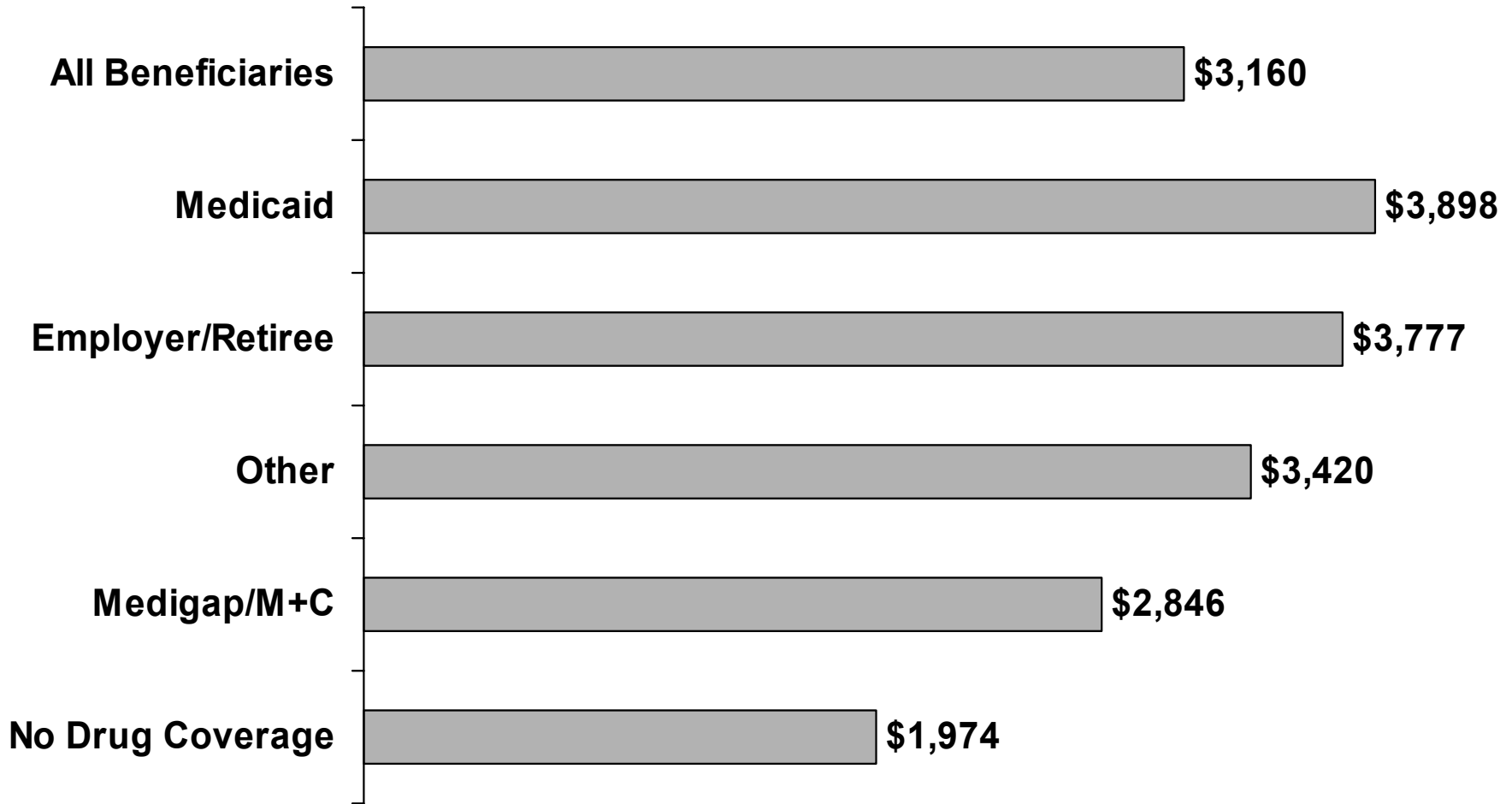
Key Findings

Medicare Beneficiaries' Drug Spending, 2006

- **Total Drug Spending, 2006:** Medicare beneficiaries are projected to incur \$3,160 in total drug spending, on average, in 2006. Total spending includes payments from all sources, including employer plans, Medicaid and other insurers, as well as out-of-pocket payments.
 - Average total spending on prescription drugs varies by source of drug coverage, but is considerably lower for those without any source of drug coverage (\$1,974) than for all other beneficiaries.
- **Out-of-Pocket Drug Spending, 2006:** Medicare beneficiaries' average out-of-pocket drug spending is estimated to be \$1,454 in 2003. Out-of-pocket spending is influenced by many factors, including beneficiaries' health care needs, access to coverage, and the generosity of that coverage.
 - Beneficiaries without any drug coverage have higher average out-of-pocket drug costs (\$1,974) than those with any form of drug coverage.
- **High Utilizers, 2006:**
 - One in five beneficiaries are expected to have total drug expenditures of \$5,000 or more in 2006, accounting for an estimated 58% of total drug spending for all Medicare beneficiaries.
 - Nearly 10 percent of all beneficiaries are expected to have \$4,000 or more in out-of-pocket drug spending in 2006.

Figure 11

Total Prescription Spending for Medicare Beneficiaries, by Source of Prescription Coverage, 2006

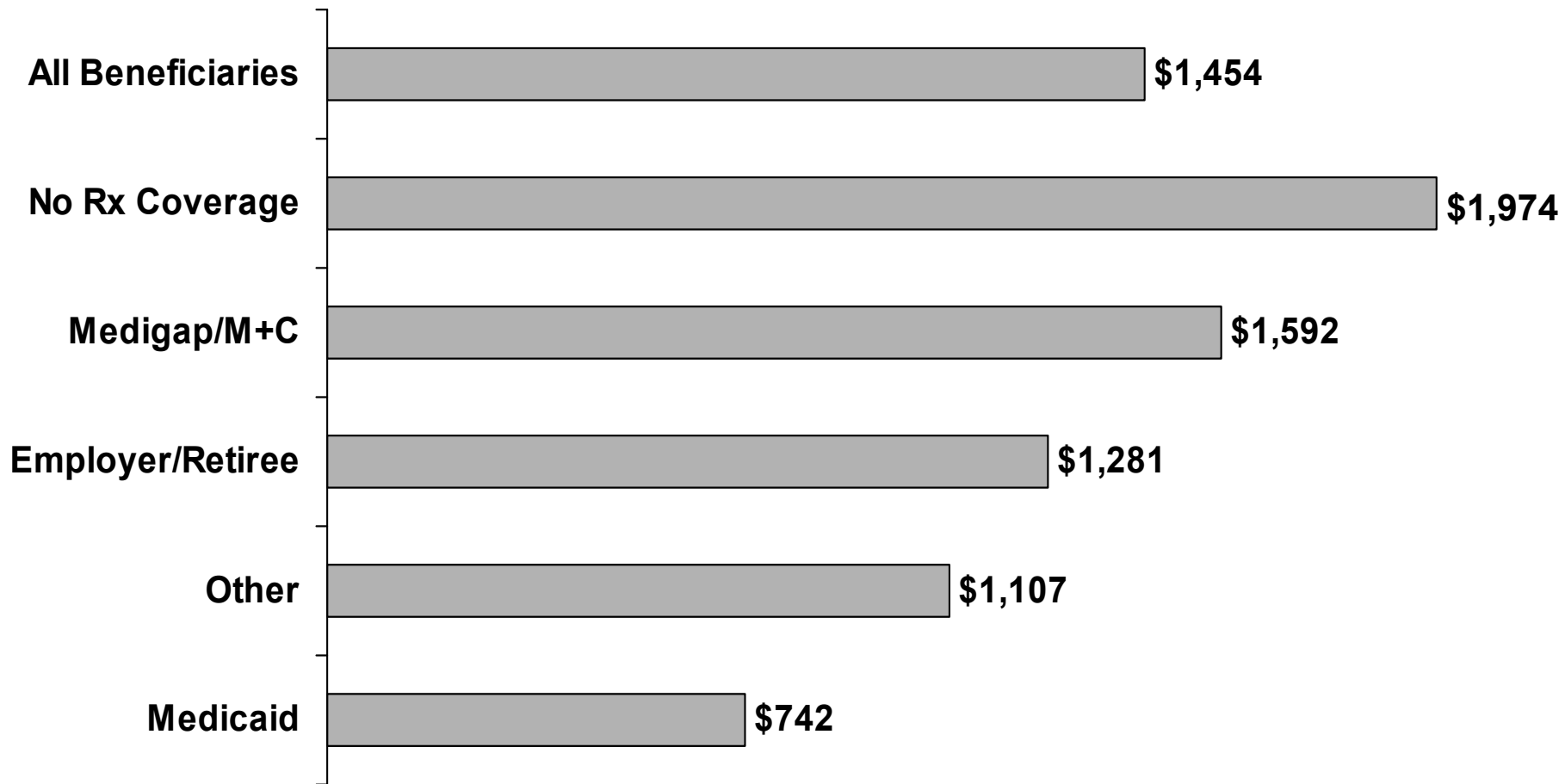


NOTE: Other refers to Champus, VA, and State pharmacy assistance programs.

SOURCE: Actuarial Research Corporation analysis for the Kaiser Family Foundation, June 2003.

Figure 12

Average Out-of-Pocket Drug Spending by Medicare Beneficiaries, by Source of Drug Coverage, 2006



NOTE: Other refers to Champus, VA, and State pharmacy assistance programs.

SOURCE: Actuarial Research Corporation analysis for the Kaiser Family Foundation, June 2003.

Figure 13

Distribution of Medicare Beneficiaries and Total Drug Expenditures, 2006

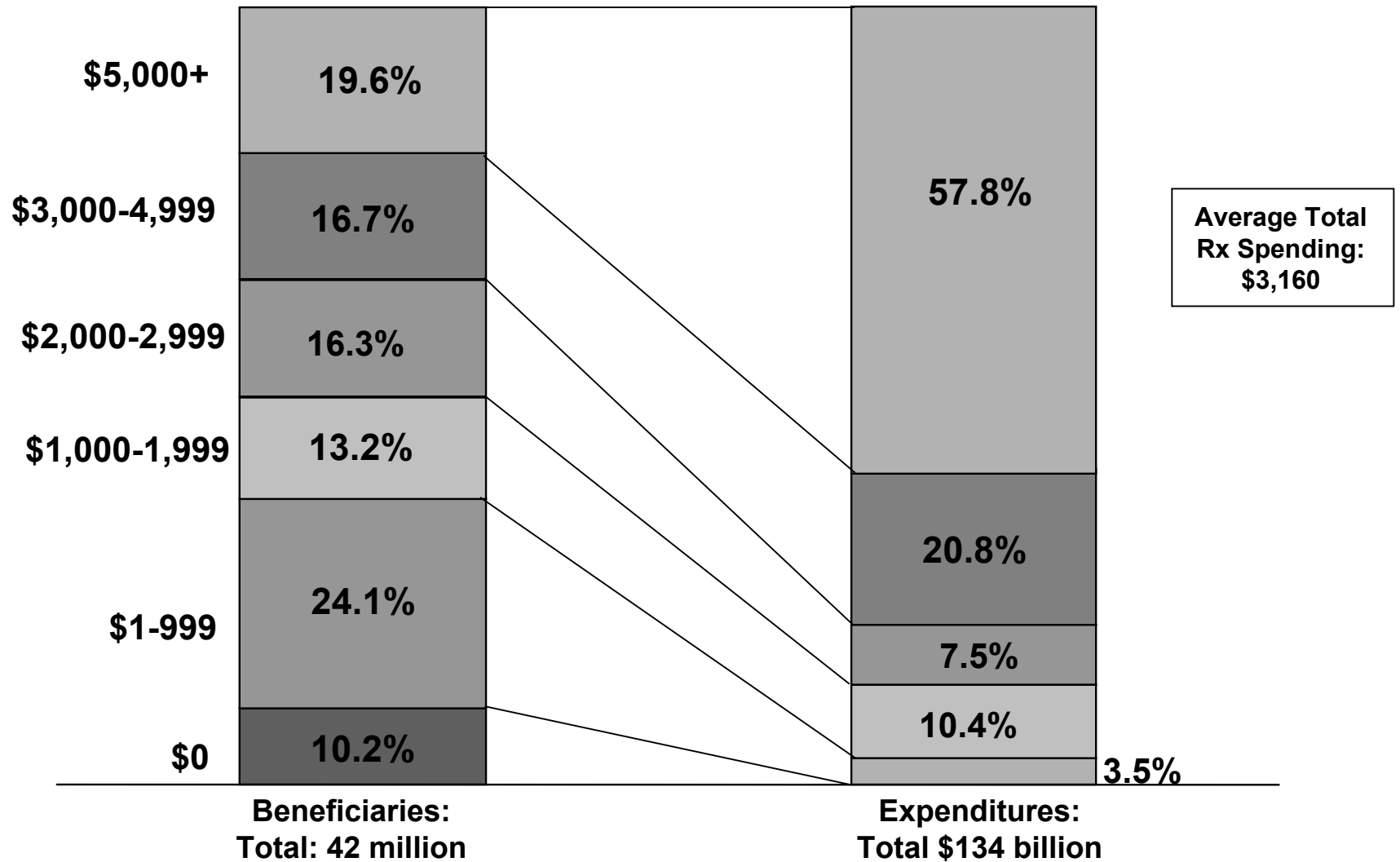
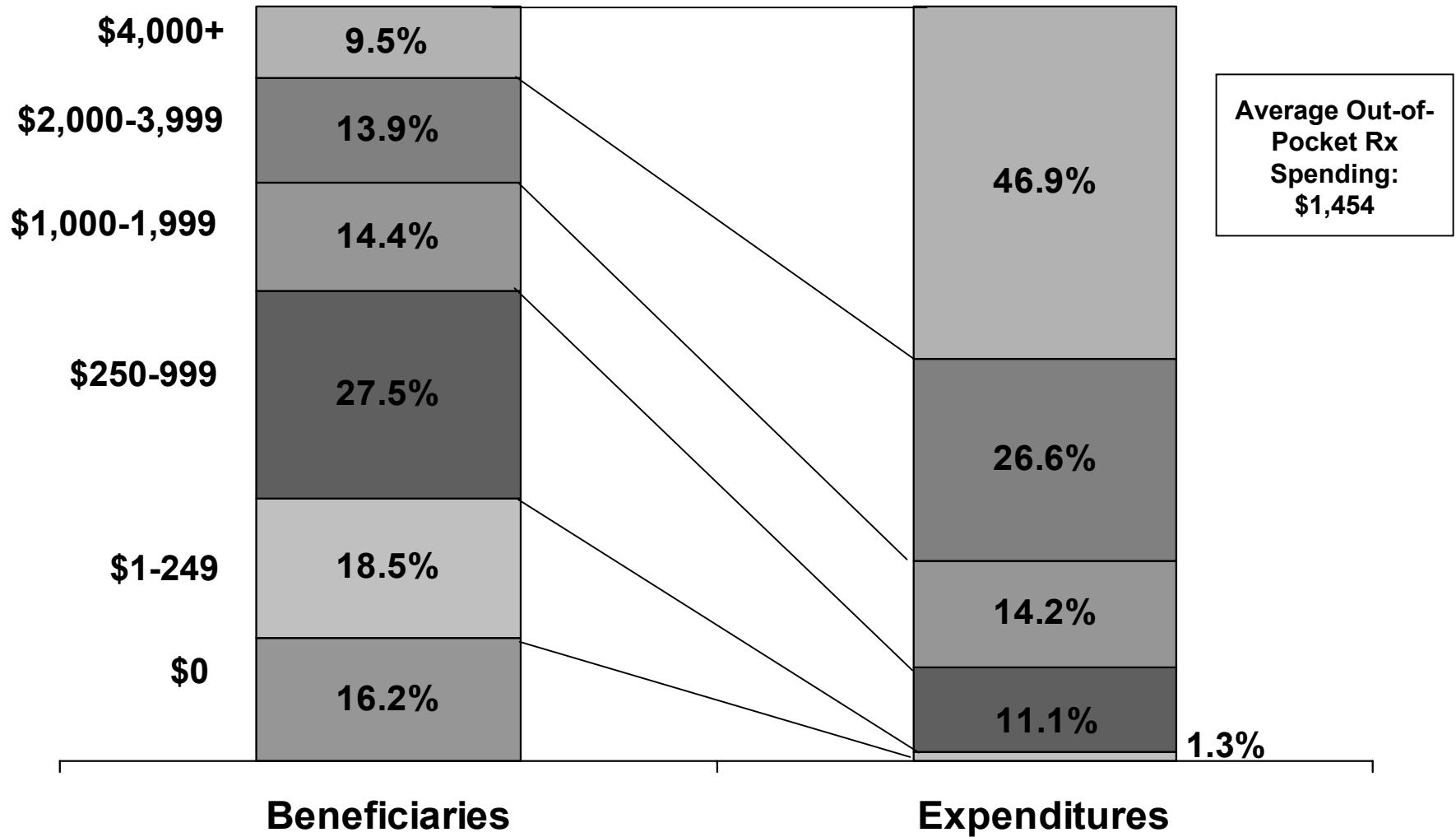


Figure 14

Distribution of Medicare Beneficiaries and Out-of-Pocket Drug Expenditures, 2006



SOURCE: Actuarial Research Corporation analysis for the Kaiser Family Foundation, June 2003.

Methods

Data analyses were conducted by Actuarial Research Corporation (ARC) for the Kaiser Family Foundation. Estimates of total and out-of-pocket prescription drug spending for the Medicare population in 2003 and 2006 were based on the Medicare Expenditure Panel Survey (MEPS) 1998 Full-Year File, scaled to be consistent with CBO's February 2003 Medicare Prescription Drug Spending Baseline for total spending. Incomes were adjusted to be consistent with the distribution by poverty level shown in CBO's October 2002 "Issues in Designing a Prescription Drug Benefit for Medicare".

Projections of out-of-pocket spending were based on historical out-of-pocket fractions of total drug spending, from the MCBS, 1996-2000. Coverage changes were trended to 2003 and 2006, using historical trends in supplemental coverage, adjusted for the substantial M+C shifts in 2001-2002. The resulting distributions are consistent with the CMS projections for CY2002 for the non-institutionalized Medicare population reported in the "21st Century Medicare: More Choices-Better Benefits," March 3, 2003 White House press release.

This analysis assumes no changes in current law. Total drug spending refers to drug spending from all sources including, employer-sponsored plans, Medigap, M+C, Medicaid, state pharmacy assistance programs, and all beneficiary out-of-pocket payments.



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