

STATISTICAL BRIEF #288

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Average Outpatient Out-of-Pocket Prescription Drug Costs for the Top Five Most Expensive Prescription Drugs for Adults Age 65 and over: 2005 and 2006

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Introduction

Almost all adults age 65 and over are covered by Medicare. By 2005, working age persons generally had prescription coverage available through private insurance, but for the most part persons age 65 and over did not have prescription drug coverage available through traditional Medicare. However, persons age 65 and over may have had prescription drug coverage available through optional private health insurance from present or past employers, individually purchased private supplemental plans, optional Medicare Advantage plans, or Medicaid for those eligible for both Medicaid and Medicare. With the phasing in of Medicare Part D (an optional prescription drug coverage plan for Medicare beneficiaries for an additional premium charge) in 2006, average out-of-pocket costs per prescription drug purchase for persons age 65 and over were expected to drop.

This Statistical Brief analyzes average out-of-pocket costs (excluding premiums) for adults age 65 and over in 2005 and 2006 for the top five prescription drugs purchased in 2005 ranked by total expenditures. Similar data for these same top prescription drugs for adults age 65 and over are provided for those ages 45-64 with any private insurance for comparative purposes. The estimates are derived from the Household Component of the Medical Expenditure Panel Survey (MEPS-HC). Estimates for 2005 were adjusted to 2006 dollars based on the Gross Domestic Product (GDP) Price Index, National Income and Product Accounts, Bureau of Economic Analysis (<http://www.bea.gov/national/nipaweb/index.asp>). Unless otherwise indicated, all differences discussed in the text are statistically significant at the .05 level or better.

Findings

2005 and 2006 expenditures and utilization for adults age 65 and over for the top five prescription drugs in 2005

Expenditures and utilization in 2005 and 2006 for the top five prescription drugs ranked by total expenditures in 2005 are presented below for adults age 65 and over.

Highlights

- Most adults age 65 and over are covered by Medicare. Traditional Medicare for the most part did not cover prescription drugs until 2006 when Medicare Part D was phased in. In contrast, by 2005, working age adults generally had prescription drug coverage available through private insurance.
- Average out-of-pocket costs per purchase decreased from 2005 to 2006 for adults age 65 and over for three of the top five most expensive prescription drugs for persons age 65 and over in 2005 (Lipitor, Plavix, and Nexium).
- In 2005, average out-of-pocket costs were higher for those age 65 and over than for those ages 45-64 with any private insurance for two of the top five drugs (Lipitor and Nexium).
- In 2006, the year Medicare Part D was phased in, differences in average out-of-pocket costs per purchase were no longer significantly different for Lipitor and Nexium for adults age 65 and over versus adults ages 45-64 with any private insurance.
- In 2006, average out-of-pocket costs per purchase for Zocor were significantly higher for adults age 65 and over than for adults ages 45-64 with private insurance.

Table 1. Top Five Prescription Drugs Ranked by Total Expenditures in 2005

Age 65 and over						
Ranking in 2005 for age 65 and over	Ranking in 2006 for age 65 and over	Prescribed drug	Total dollars in 2005 (in billions)	Percentage with drug purchase in 2005	Total dollars in 2006 (in billions)	Percentage with drug purchase in 2006
1	1	Lipitor	4.16	17.2	4.14	16.5
2	3	Zocor	2.82	10.8	1.68	7.7
3	2	Plavix	2.16	7.1	1.69	5.9
4	12	Nexium	1.57	4.2	1.10	4.6
5	6	Norvasc	1.55	9.5	1.35	7.8

In 2005, the top two prescription drugs purchased by adults age 65 and over were Lipitor and Zocor, both cholesterol lowering drugs. In 2005, an estimated 17.2 percent of all adults age 65 and over purchased Lipitor and an estimated 10.8 percent purchased Zocor (table 1). The third top prescription drug was Plavix, an antiplatelet drug; the fourth, Nexium, is used to reduce stomach acid; and the fifth, Norvasc, is a calcium channel blocker used to treat high blood pressure.

Average out-of-pocket costs in 2005 (adjusted to 2006 dollars) and 2006 for adults age 65 and over

For adults age 65 and over, average out-of-pocket costs per purchase decreased from 2005 to 2006 for three of the top five prescriptions drugs (figure 1). For adults age 65 and over, average out-of-pocket costs per purchase decreased for Lipitor (from \$54 in 2005 to \$37 in 2006), for Plavix (from \$69 to \$47), and for Nexium (from \$71 to \$48). The decreases from 2005 to 2006 in out-of-pocket costs per purchase for Zocor and Norvasc were not statistically significant.

Average out-of-pocket costs in 2005 and 2006 for adults ages 45-64 with private insurance

For adults ages 45-64 with any private insurance, average out-of-pocket costs per purchase decreased for two of the top five top prescriptions for adults age 65 and over (figure 2). For adults ages 45-64 with any private insurance, average out-of-pocket costs per purchase decreased from 2005 to 2006 for Lipitor (\$39 in 2005, \$33 in 2006) and for Zocor (\$52 in 2005, \$34 in 2006). In 2005 average out-of-pocket costs were higher for those aged 65 and over than for those ages 45-64 with any private insurance for two of the top five drugs (Lipitor and Nexium). By 2006, the year in which Medicare Part D was phased in, differences in out-of-pocket costs between adults age 65 and over versus adults ages 45-64 with any private insurance were no longer significant for Lipitor and Nexium. Differences in average out-of-pocket costs per purchase for Zocor were significantly higher in 2006 for adults age 65 and over versus adults ages 45-64 with any private insurance while comparable differences in 2005 were not significant.

Data Source

The estimates in this Statistical Brief are based on data files from MEPS HC-105: 2006 Full Year Consolidated Data, MEPS HC-097: 2005 Full Year Consolidated Data, MEPS HC-102A: 2006 Prescribed Medicines, and MEPS HC-094A: 2005 Prescribed Medicines.

Definitions

Prescription drug expenditures

This category includes expenditures from all sources for all prescribed medications initially purchased or otherwise obtained during the year, as well as any refills. Estimates for 2005 were adjusted to 2006 dollars based on the GDP Price Index, National Income and Product Accounts, Bureau of Economic Analysis (<http://www.bea.gov/national/nipaweb/index.asp>).

Prescription drug expenditure rankings

The 2005 prescription drug purchases for persons age 65 and over were ranked by total expenditure based on the National Drug Code/Drug Name combination. The top five most expensive drugs in 2005 for adults age 65 and over are all brand name drugs and generic versions when available were not included in the respective categories.

Prescription drug utilization

"Utilization" is defined as one or more purchases of a prescribed medicine.

Out-of-pocket source of payment

Out-of-pocket expenditures include payments by person or family.

Age

Age refers to age at the end of the year or age at previous rounds if end of the year age is missing.

Any private health insurance for individuals ages 45-64

Individuals ages 45-64 who, at any time during the year, had insurance that provides coverage for hospital and physician care (other than Medicare, Medicaid, or other public hospital/physician coverage) were classified as having any private health insurance. Coverage by TRICARE (Armed Forces-related coverage) was included as private health insurance. Insurance that provides coverage for a single service only, such as dental or vision coverage, was not included.

About MEPS-HC

The MEPS Household Component (HC) is a nationally representative longitudinal survey that collects detailed information on health care utilization and expenditures, health insurance, and health status, as well as a wide variety of social, demographic, and economic characteristics for the U.S. civilian noninstitutionalized population. It is cosponsored by the Agency for Healthcare Research and Quality and the National Center for Health Statistics.

For more information about MEPS, call the MEPS information coordinator at AHRQ (301-427-1656) or visit the MEPS Web site at <http://www.meps.ahrq.gov/>.

References

For detailed descriptions of the MEPS-HC survey design, sample design and methods used to minimize sources of nonsampling error, and expenditure data see the following publications:

Cohen, J. *Design and Methods of the Medical Expenditure Panel Survey Household Component*. MEPS Methodology Report No. 1. AHCPR Pub. No. 97-0026. Rockville, MD: Agency for Health Care Policy and Research, 1997. http://www.meps.ahrq.gov/mepsweb/data_files/publications/mr1/mr1.pdf

Cohen, S. *Sample Design of the 1996 Medical Expenditure Panel Survey Household Component*. MEPS Methodology Report No. 2. AHCPR Pub. No. 97-0027. Rockville, MD: Agency for Health Care Policy and Research, 1997. http://www.meps.ahrq.gov/mepsweb/data_files/publications/mr2/mr2.pdf

Cohen S.B. *Sample Design of the 1997 Medical Expenditure Panel Survey Household Component*. Rockville (MD): Agency for Healthcare Research and Quality, 2000. MEPS Methodology Report No. 11, AHRQ Pub. No. 01-0001. http://www.meps.ahrq.gov/mepsweb/data_files/publications/mr11/mr11.pdf

Cohen, S.B. Design Strategies and Innovations in the Medical Expenditure Panel Survey. *Medical Care*, July 2003: 41(7) Supplement: III-5-III-12.

Ezzati-Rice T.M., Kashihara D., Machlin S.R. *Health Care Expenses in the United States, 2000*. Rockville (MD): Agency for Healthcare Research and Quality, 2004. MEPS Research Findings No. 21, AHRQ Pub. No. 04-0022. http://www.meps.ahrq.gov/mepsweb/data_files/publications/rf21/rf21.pdf

For related Statistical Briefs on prescription medicine expenditures see the following publications:

Stagnitti, M.N. *Trends in Outpatient Prescription Thyroid Drugs Purchases and Expenditures for Adults Age 18 and Older in the U.S. Civilian Noninstitutionalized Population, 1996 and 2007*. Statistical Brief #271. December 2009. Agency for Healthcare Research and Quality, Rockville, MD. http://www.meps.ahrq.gov/mepsweb/data_files/publications/st271/stat271.pdf

Stagnitti, M.N. *The Top Five Outpatient Prescription Drugs Ranked by Total Expense for Children, Adults, and the Elderly, 2004*. Statistical Brief #180. July 2007. Agency for Healthcare Research and Quality, Rockville, MD. http://www.meps.ahrq.gov/mepsweb/data_files/publications/st180/stat180.pdf

Stagnitti M.N. *Trends in Outpatient Prescription Drug Utilization and Expenditures: 1997 and 2004*. Statistical Brief #168. April 2007. Agency for Healthcare Research and Quality, Rockville, MD. http://www.meps.ahrq.gov/mepsweb/data_files/publications/st168/stat168.pdf

Kashihara D., and Carper K. *National Health Care Expenses in the U.S. Civilian Noninstitutionalized Population, 2006*. Statistical Brief #229. December 2008. Agency for Healthcare Research and Quality, Rockville, MD. http://www.meps.ahrq.gov/mepsweb/data_files/publications/st229/stat229.pdf

Machlin S. *Trends in Health Care Expenditures for the Elderly Age 65 and over: 2006 versus 1996*. Statistical Brief #256. August 2009. Agency for Healthcare Research and Quality, Rockville, MD. http://www.meps.ahrq.gov/mepsweb/data_files/publications/st256/stat256.pdf

Suggested Citation

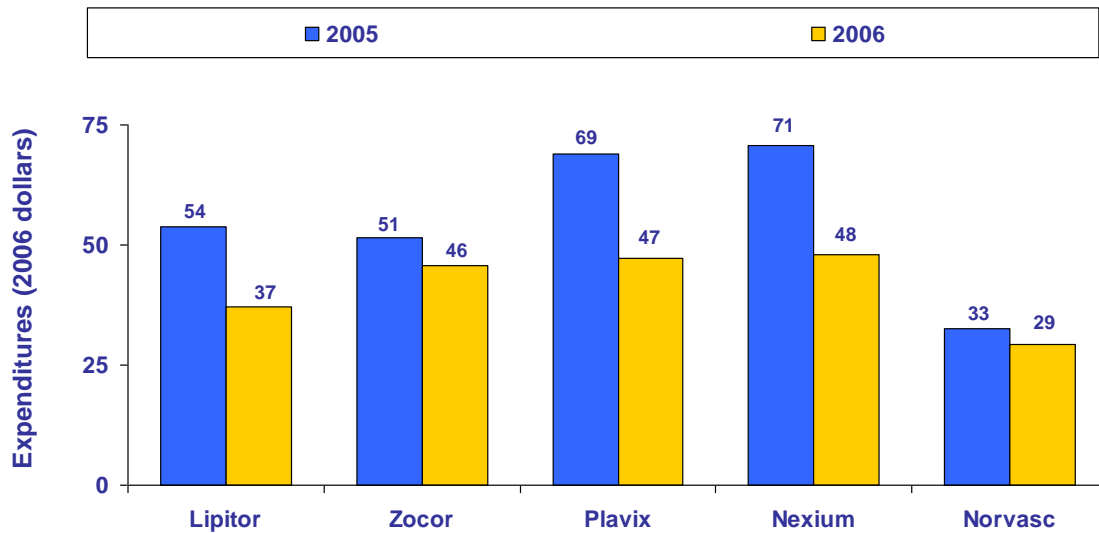
Chevarley, F.M. *Average Outpatient Out-of-Pocket Prescription Drug Costs for the Top Five Prescription Drugs for Adults Age 65 and over: 2005 and 2006*. Statistical Brief #288. July 2010. Agency for Healthcare Research and Quality, Rockville, MD. http://www.meps.ahrq.gov/mepsweb/data_files/publications/st288/stat288.pdf

AHRQ welcomes questions and comments from readers of this publication who are interested in obtaining more information about access, cost, use, financing, and quality of health care in the United States. We also invite you to tell us how you are using this Statistical Brief and other MEPS data and tools and to share suggestions on how MEPS products might be enhanced to further meet your needs. Please e-mail us at MEPSPD@ahrq.gov or send a letter to the address below:

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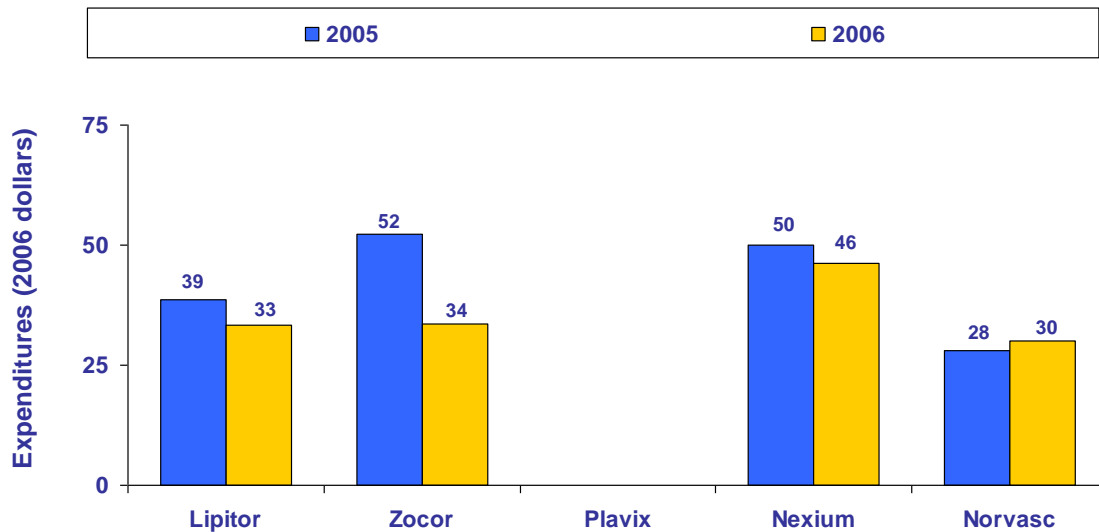
Figure 1. Average out-of-pocket expenditures per purchase for the top prescriptions for persons age 65+, 2005 (adjusted to 2006 dollars) and 2006



Source: Center for Financing, Access, and Cost Trends, AHRQ, Household Component of the Medical Expenditure Panel Survey, 2005 and 2006



Figure 2. Average out-of-pocket expenditures for the top prescriptions for persons ages 45–64 with private insurance, 2005 and 2006



Source: Center for Financing, Access, and Cost Trends, AHRQ, Household Component of the Medical Expenditure Panel Survey, 2005 and 2006