



Out-of-Pocket Costs for Specialty Drugs in Medicare Part D

Patients pay a portion of their prescription drug costs out of pocket, through deductibles, copayments, or coinsurance. Insurance companies use these cost-sharing techniques to encourage appropriate medication use and manage spending.

Medicare Part D plans



More than **99%** of Medicare beneficiaries are enrolled in plans with a specialty tier where out-of-pocket costs are highest.¹

Drugs that cost at least **\$600** a month are often assigned to these specialty tiers.²

Patient costs

In 2015 **57%** of enrollees were in plans that charged **33 percent coinsurance** for specialty drugs. In 2006 only 16 percent were enrolled in such plans.³



Patient impact



When faced with **increased out-of-pocket costs**, patients are less likely to begin drug therapy and more likely to **stop taking their medications**.⁵

Financial impact

\$100 billion to \$300 billion

Patients' failure to properly take their medications costs the United States approximately \$100 billion to \$300 billion in avoidable health care costs each year.⁶



Endnotes

- 1 Kaiser Family Foundation, *Medicare Part D at Ten Years: The 2015 Marketplace and Key Trends, 2006-2015* (2015), <http://files.kff.org/attachment/report-medicare-part-d-at-ten-years-the-2015-marketplace-and-key-trends-2006-2015>.
- 2 Centers for Medicare & Medicaid Services, "Medicare Part D Specialty Tier" (2014), <http://www.cms.gov/Medicare/Prescription-Drug-Coverage/PrescriptionDrugCovGenIn/Downloads/SpecialtyTierMethodology.pdf>.
- 3 Kaiser Family Foundation, *Medicare Part D at Ten Years: The 2015 Marketplace and Key Trends, 2006-2015* (2015), <http://files.kff.org/attachment/report-medicare-part-d-at-ten-years-the-2015-marketplace-and-key-trends-2006-2015>. In 2016, once patients reach \$4,850 in total out-of-pocket drug spending, they are subject to a 5% coinsurance on the remaining costs of their medications.
- 4 These values were calculated by Pew staff based on estimates included in the 2014 Kaiser Family Foundation report on Medicare Part D. Pew calculations have been confirmed by KFF study authors.
- 5 Dana P. Goldman et al., "Prescription Drug Cost Sharing: Associations with Medication and Medical Utilization and Spending and Health," *Journal of the American Medical Association* 298, no. 1 (2007): 61-69, <http://jama.jamanetwork.com/article.aspx?articleid=207805>; Catherine I. Starner et al., "Specialty Drug Coupons Lower Out-Of-Pocket Costs And May Improve Adherence At The Risk Of Increasing Premiums," *Health Affairs* 33, no.10 (2014):1761-1769, <http://content.healthaffairs.org/content/33/10/1761.abstract>. One study showed that when patients had a copayment of \$250 or more for their prescriptions, they were less likely to pick up their prescription.
- 6 Aurel O. Iuga and Maura J. McGuire, "Adherence and Health Care Costs," *Risk Management and Healthcare Policy* 7 (2014): 35-44, <http://www.ncbi.nlm.nih.gov/pmc/articles/PMC3934668/pdf/rmh7-035.pdf>.

For further information, please visit:

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