

# Tiered Plans Reduce Drug Use, but They Cost More

BY MARY ELLEN SCHNEIDER  
New York Bureau

Cost containment strategies, such as tiered drug plans, reduce overall prescription drug utilization and increase the use of generics, according to an analysis of prescription drug use by Medicare-eligible retirees.

But even with decreased utilization, individuals enrolled in three-tiered drug plans, which charge higher copayments for

certain medications, spent more money out of pocket than did individuals enrolled in single-tiered plans.

The study, conducted by researchers at Mathematica Policy Research Inc. and RTI International, included 352,760 Medicare beneficiaries with employer-sponsored drug coverage and dependent spouses aged 65 or older. The researchers analyzed five employer-sponsored drug plans: two with a single copayment tier, and three with a three-tiered structure.

The study is further confirmation that the retiree population is sensitive to price, Boyd H. Gilman, Ph.D., one of the study authors and a senior researcher at the Cambridge, Mass., office of Mathematica, said in an interview. "They do respond to price, but we don't know what that means in terms of health outcomes."

On average, individuals in single-tiered plans filled 46 prescriptions a year, compared with 38 prescriptions among those enrolled in three-tiered plans. But enrollees

in single-tiered plans used fewer generics, the researchers found. Nearly 39% of the drugs purchased under single-tier plans were generics, compared with nearly 44% in three-tiered plans. Both findings were statistically significant.

The average annual expenditures by the drug plan per enrollee were higher in single-tiered plans, whereas enrollee out-of-pocket costs were higher among those enrolled in three-tiered drug plans, despite their lower drug utilization.

Drug plans spent about \$1,943 per individual in single-tiered plans, versus \$1,354 in three-tiered plans. Individuals enrolled in single-tier plans spent about \$245 a year, compared with \$469 spent by individuals enrolled in multitiered plans. These results were also statistically significant.

When they examined trends among individuals who filled prescriptions for chronic conditions, the researchers found that cost containment strategies had less of an effect on prescription drug use. Total expenditures and the number of prescriptions filled were still lower among beneficiaries enrolled in three-tiered plans, but to a lesser extent than when these individuals filled prescriptions for episodic care.

The findings were published online on Sept. 11 in the journal *Health Services Research* (Health Serv. Res. 2007 Sept. 11 [Epub doi:10.1111/j.1475-6773.2007.0774.x]). The study was funded by an internal grant from RTI International. ■

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Aspirin	47
<b>Boehringer Ingelheim Pharmaceuticals, Inc.</b>	
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<b>Bristol-Myers Squibb /Sanofi Pharmaceuticals</b>	
Corporate	40-41
<b>Calpis Co., Ltd.</b>	
Ameal Peptide	34
<b>Cephalon, Inc.</b>	
Amrix	7-8
<b>Florida Shots</b>	
Corporate	36
<b>Forest Laboratories, Inc.</b>	
Corporate	14a-14b
Lexapro	38a-38b, 39
Namenda	48a-48b
<b>Eli Lilly and Company</b>	
Cymbalta	31-33
<b>Merck &amp; Co., Inc.</b>	
Corporate	6
Vytorin	20-22
Janumet	44a-44b, 45
<b>Novartis Pharmaceuticals Corporation</b>	
Exelon	29
Reclast	34a-34b
Exforge	51-52
<b>Novo Nordisk Inc.</b>	
Corporate	12
Levemir	16-18
NovoLog Mix 70/30	37-38
<b>Nutramax Laboratories, Inc.</b>	
CosaminDS	23
<b>Pfizer Inc.</b>	
Lyrca	3, 18a-18f
Corporate	10
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Lovaza	42-44
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<b>Sanofi Pasteur Inc.</b>	
Adacel	13-14
Typhim Vi	25, 27-28