

STATISTICAL BRIEF #79

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Prescription Drug Expenditures in the 10 Largest States for Persons under Age 65, 2002

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Introduction

Prescription drugs are a large and growing part of health care expenditures. In 2002, expenditures for prescription drugs among the U.S. civilian noninstitutionalized population were \$150.6 billion or 18.6 percent of total health care expenditures. This was a significant increase from 1996, when prescription drugs expenditures were \$65.2 billion and accounted for only 11.9 percent of total health care expenditures.

As overall costs of health care continue to rise, and the cost of prescription drugs becomes a larger share of total health care expenditures, more interest is focused on these costs. For persons under age 65, the percentage of total health care expenditures that could be attributed to prescription drugs was 11.5 percent in 1996 and 18.7 percent in 2002. Likewise, for persons under age 65, the percentage paid by Medicaid grew from 11.0 percent to 14.0 percent in the same time frame.

While the total expenditures for prescription drugs are a significant portion of all health care costs for the nation, the percentage of individuals who have expenditures, the average expenditure, and the percentages paid by the various sources of payments (such as private coverage, Medicaid, and out-of-pocket) can vary considerably across states.

Using data from the Household Component of the Medical Expenditure Panel Survey (MEPS-HC), this Statistical Brief presents estimates of prescription drug expenditures for persons under age 65 in the 10 largest states for the year 2002 and compares these estimates to the national average. Only those estimates with statistically significant differences from the national average using a multiple comparison procedure at the 0.05 significance level are noted in the text.

Findings

In the year 2002, 60.6 percent of all persons under 65 years of age had an expenditure for prescription drugs. In California, the

Highlights

- In 2002, prescription drugs represented about 19 percent of all medical expenditures for persons under age 65.
- The percentage of persons under age 65 with a prescription drug expenditure in 2002 was lower than the national average in California and higher than the national average in Ohio.
- The percentage of expenditures for prescription drugs for persons under age 65 covered by private insurance was higher than the national average in Michigan.
- The percentage of prescription drug expenditures paid out of pocket by persons under age 65 in Texas was higher than the national average but lower than the national average in Ohio and Michigan.
- The percentage of prescription drug expenditures of persons under age 65 paid by Medicaid in New York was higher than the national average but lower than the national average in Texas and Georgia.

percentage was 51.4 percent, which was significantly lower than the national average. For persons under age 65 in Ohio, the percentage was 66.0 percent, which was higher than the national average. (figure 1)

The national average expenditure for prescription drugs in 2002 for persons under age 65 who had an expenditure was \$660. The average expenditures for persons under age 65 in Texas and New Jersey were lower than the national average, with values of \$547 and \$526, respectively. (figure 2)

Nationwide in 2002, private insurance paid for 45.5 percent of the expenditures for prescription drugs for persons under age 65. In Michigan, private insurance paid for a higher proportion of these expenditures, at 57.4 percent. (figure 3)

Out-of-pocket payments by all persons under age 65 in 2002 accounted for 36.7 percent of the expenditures for their prescription drugs. In Texas, out-of-pocket payments by persons under age 65 were significantly higher than the national average, at 42.7 percent. Persons under age 65 in Ohio and Michigan contributed a smaller share of prescription drug expenditures with their out-of-pocket payments, at 30.9 and 27.9 percent, respectively. (figure 4)

Nationally, Medicaid paid for 14.0 percent of the expenditures for prescription drugs for persons under age 65 in 2002. Persons in New York had the highest percentage paid by Medicaid among the 10 largest states, at 23.5 percent. Persons in Georgia and Texas had the lowest percentages paid by Medicaid for prescribed medicine expenditures among the 10 largest states, at 7.3 and 9.5 percent, respectively. (figure 5)

Definitions

Expenditures

Expenditures include total payments from all sources to hospitals, physicians, other health care providers (including dental care), and pharmacies for services reported by respondents in the MEPS-HC. Sources include direct payments from individuals, private insurance (including TRICARE), Medicare, Medicaid, and various other sources (including the Veterans' Administration, Workers' Compensation, and miscellaneous public sources).

Prescribed medicine expenditures

This subcategory of expenditures includes those for all prescribed medications initially purchased or otherwise obtained during the year, as well as any refills.

About MEPS-HC

MEPS-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 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 a detailed description of the MEPS-HC survey design, sample design, and methods used to minimize sources on nonsampling error, see the following publications:

Cohen, J. *Design and Methods of the Medical Expenditure Panel Survey Household Component*. MEPS Methodology Report No. 1. HCPR Pub. No. 97-0026. Rockville, Md.: Agency for Health Care Policy and Research, 1997.

Cohen, S. *Sample Design of the 1996 Medical Expenditure Panel Survey Household Component*. MEPS Methodology Report No. 2. HCPR Pub. No. 97-0027. Rockville, Md.: Agency for Health Care Policy and Research, 1997.

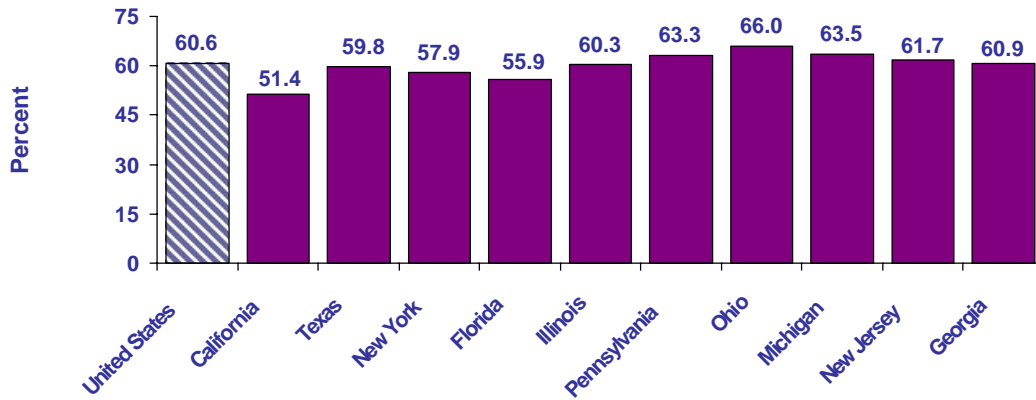
Cohen, S. Design Strategies and Innovations in the Medical Expenditure Panel Survey. *Medical Care*, July 2003: 41(7) Supplement: III-5–III-12.

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http://meps.ahrq.gov/mepsweb/data_files/publications/st79/stat79.pdf



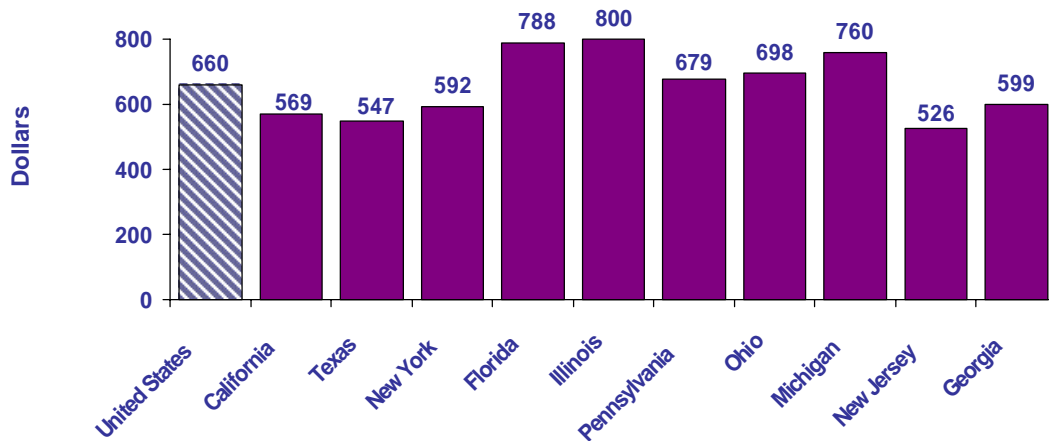
Figure 1. Percentage of persons under age 65 who had a prescription drug expenditure in 2002, United States and 10 largest states



Source: Center for Financing, Access, and Cost Trends, AHRQ, Household Component of the Medical Expenditure Panel Survey, 2002



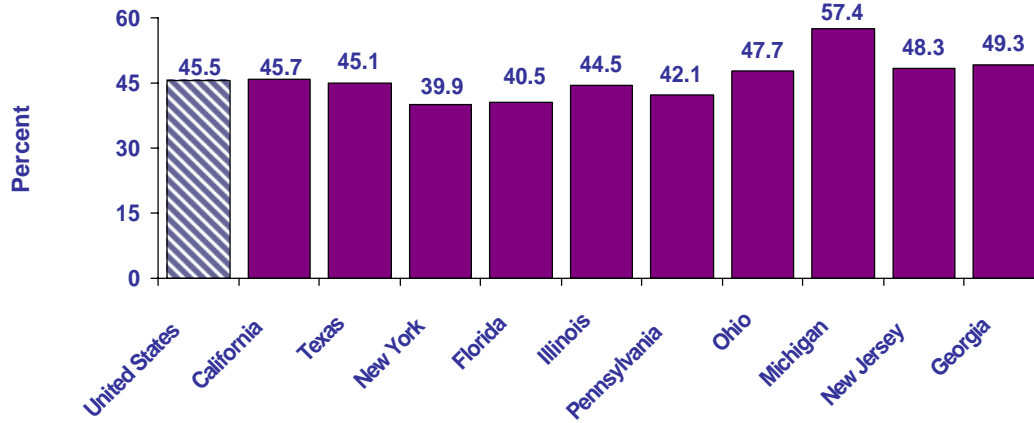
Figure 2. Average prescription drug expenditures for persons under age 65 who had an expenditure in 2002, United States and 10 largest states



Source: Center for Financing, Access, and Cost Trends, AHRQ, Household Component of the Medical Expenditure Panel Survey, 2002



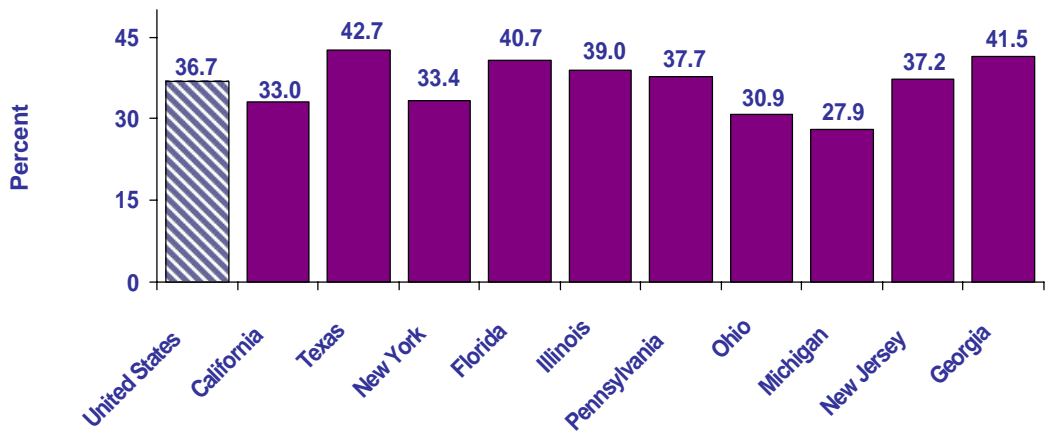
Figure 3. Percentage of prescription drug expenditures for persons under age 65 paid by private insurance in 2002, United States and 10 largest states



Source: Center for Financing, Access, and Cost Trends, AHRQ, Household Component of the Medical Expenditure Panel Survey, 2002



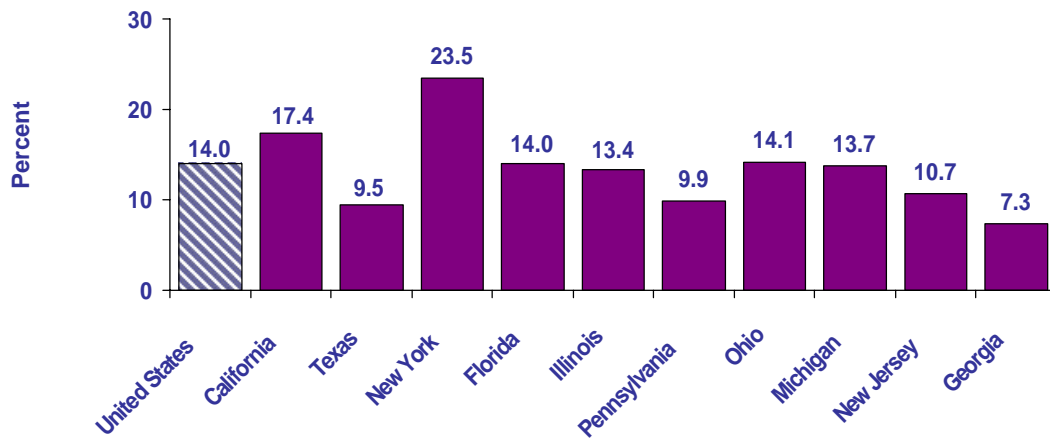
Figure 4. Percentage of prescription drug expenditures for persons under age 65 paid out of pocket in 2002, United States and 10 largest states



Source: Center for Financing, Access, and Cost Trends, AHRQ, Household Component of the Medical Expenditure Panel Survey, 2002



Figure 5. Percentage of prescription drug expenditures for persons under age 65 paid by Medicaid in 2002, United States and 10 largest states



Source: Center for Financing, Access, and Cost Trends, AHRQ, Household Component of the Medical Expenditure Panel Survey, 2002