



**Prescription Drug Coverage, Utilization, and Affordability
for Senior Citizens in California**

Prepared for Rep. Henry A. Waxman

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Committee on Government Reform
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EXECUTIVE SUMMARY

Because the Medicare program does not cover the cost of prescription drugs, millions of Medicare recipients nationwide lack prescription drug coverage. These seniors, many of whom live on a fixed income, are faced with rapidly increasing drug bills and increasing difficulty paying for their medications.

Nationally, studies have estimated that there are over ten million Medicare recipients who do not have prescription drug coverage. But previously there have been no state-level estimates of the scope of the problem in California. This report, which was prepared at the request of Rep. Henry A. Waxman, is the first statewide estimate of the number of seniors in California who lack prescription drug coverage.

This report is based on surveys of Medicare recipients conducted by researchers at the New England Medical Center in 1998 and 1999. In addition to presenting the first estimates of the number of California seniors who have no prescription drug coverage, the report contains new data on the use of prescription drugs by seniors in California, as well as on the problems that California seniors face in affording prescription drugs.

This report finds that the lack of prescription drug coverage for Medicare recipients represents a severe problem for California seniors. The report finds:

- **More than one-third of California seniors -- 34% -- reported that they had no prescription drug coverage in 1999.** This means that approximately 1.2 million seniors in California are forced to pay for their own prescription drugs with no assistance from insurance.
- **The number of California seniors without prescription drug coverage is rapidly increasing.** In 1998, 25% of California seniors reported that they did not have prescription drug coverage. By 1999, the percentage of seniors reporting that they had no drug coverage had increased by more than one-third to 34%.
- **Many uninsured California seniors have difficulty affording prescription drugs.** In 1999, over one in eight California seniors without drug coverage (13%) reported that they were forced to skip necessary prescription drugs or to reduce their dosage because they could not afford the cost of their drugs.
- **Even seniors with coverage also have difficulty affording prescription drugs.** In 1999, 7% of California seniors with drug coverage -- approximately 168,000 seniors -- reported that they were forced to skip necessary prescription drugs or to reduce their dosage because they could not afford the cost of their drugs.

I. INTRODUCTION

Millions of Medicare recipients face extensive hardships paying for prescription drugs because they have no drug coverage. Studies show that although senior citizens use twice as many prescription drugs as individuals under the age of 65, over ten million senior citizens in the United States have no prescription drug coverage. These national studies also show that seniors without prescription drug coverage use one-third fewer prescription drugs than seniors with coverage. And many of these seniors simply cannot afford the drugs that they need to maintain their health.¹

National studies also show that even when seniors do have prescription drug coverage, it is frequently inadequate. Many seniors have Medigap plans, which are often prohibitively expensive, with high deductibles and limited coverage.² Others receive benefits through Medicare managed care plans, which are sharply reducing benefits and coverage.³

While these analyses provide national data, to date there has been little information about the number of seniors affected in California. Rep. Henry A. Waxman, who represents California's 29th Congressional District, requested that the minority staff of the Committee on Government Reform investigate this issue. At Rep. Waxman's request, the minority staff of the House Committee on Government Reform obtained information from a detailed survey of California senior citizens. This report, which is based on that information, contains the first detailed analysis of prescription drug coverage, expenditures, and affordability among senior citizens in California.

II. METHODOLOGY

This report is based on a survey of almost 3,000 California seniors conducted by researchers at the New England Medical Center.⁴ The survey, known as the *Study of Choice and Quality in Senior Health Care*, was funded by the Agency on Health Care Quality and Research and the National Institute on Aging and was originally designed to compare the quality of care in the conventional Medicare program with the quality of care by Medicare HMOs in 13 states.

¹Department of Health and Human Services, *Report to the President: Prescription Drug Coverage, Spending, Utilization, and Prices*, 42 (Apr. 2000).

²*Id.*

³National Economic Council, Domestic Policy Council, *Disturbing Truths and Dangerous Trends: The Facts About Medicare Beneficiaries and Prescription Drug Coverage* (July 22, 1999). ; *Prescription Drug Coverage, Utilization, and Spending Among Medicare Beneficiaries*, *supra* note 1.

⁴See Safran, et al., *Drug Coverage and Out-of-Pocket Spending Among Medicare Beneficiaries*, Institute for Medicare Practice, Seminar Series (May 9, 2000).

The survey gathered data that is representative of the Medicare population in the 13 states. According to the primary researcher, “the analyses represent, in true proportion, the population of elderly Medicare beneficiaries in these 13 states who were stably enrolled in conventional Medicare or in a mature Medicare HMO for one year or more as of Fall 1998.”⁵

Several questions on this survey focused on prescription drugs, including questions on the prescription drug coverage of respondents, the number of prescription drugs taken by respondents, out of pocket expenditures for prescription drugs by respondents, and whether respondents were ever forced to skip medications because they were too expensive. A total of 2,957 seniors in California were surveyed in 1998 and again in 1999.

Although the data from the survey has been compiled and released at the national level, the researchers have not yet released the survey results from individual states. However, at the request of Rep. Waxman, the researchers provided the survey results for California to the minority staff of the Committee on Government Reform.⁶

The data that was provided estimated the percentage of seniors in California meeting particular criteria for prescription drug coverage, utilization, or expenditures in 1998 and 1999. According to U.S. Census data, there are 3.6 million persons in California age 65 and over, approximately two million women and 1.5 million men.⁷ Based on the survey results, these population estimates were used by the minority staff to calculate the number of seniors with and without drug coverage.

III. FINDINGS

The results from the survey of drug coverage for seniors in California indicates that there are millions of California seniors who do not have prescription drug coverage. Many of these seniors use multiple prescription drugs and have monthly prescription drug bills that cost hundreds of dollars. Moreover, hundreds of thousands of California seniors have been forced to skip medications or to reduce their dosage because of high prescription drug costs.

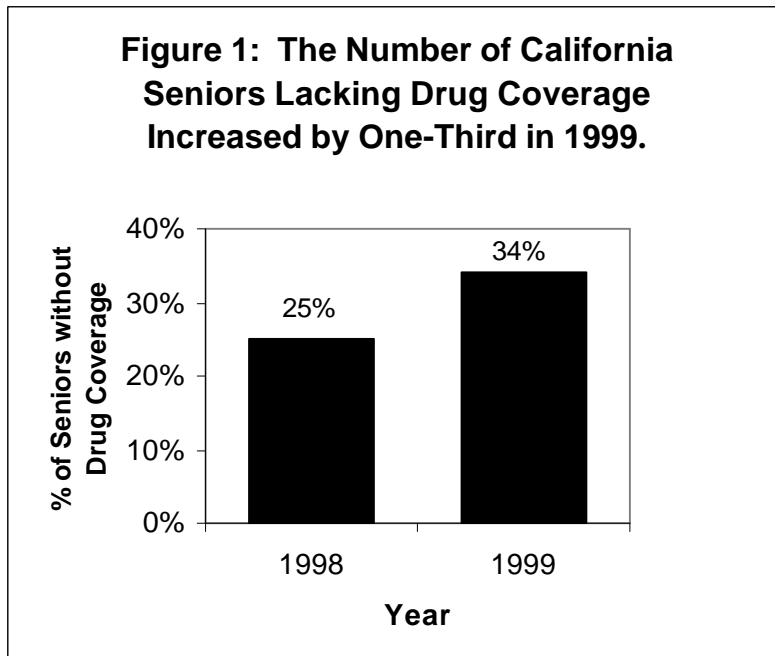
⁵Memo from Dr. Dana Gelb Safran, New England Medical Center, to Minority Staff of the Committee on Government Reform (July 31, 2000).

⁶Memo from Dr. Dana Gelb Safran, New England Medical Center, to Minority Staff of the Committee on Government Reform (May 25, 2000).

⁷U.S. Census, *Population Estimates for the U.S., Regions, and States by Selected Age Groups and Sex: An Annual Time Series, July 1, 1990 to July 1, 1999* (2000) (online at www.census.gov/population/estimates/state/st-99-09.txt).

A. Prescription Drug Coverage for California Seniors

Survey data collected during 1999 shows that 34% of Medicare beneficiaries in the state reported that they had no prescription drug coverage. This means that more than one in three California seniors -- approximately 1.2 million individuals -- had no prescription drug coverage in 1999. The survey results also show a large increase in the number of seniors without prescription drug coverage between 1998 and 1999. In 1998, 25% of seniors reported that they did not have prescription drug coverage. One year later, 34% of seniors reported that they did not have drug coverage. This represents approximately 325,000 seniors who lost coverage in this one year period (Figure 1).



The survey results for California indicate that many seniors with incomes well above the poverty line still lack prescription drug coverage. Researchers surveyed seniors with incomes above \$20,000 -- almost double the poverty line -- and found that, in 1999, 28% of these seniors reported that they had no prescription drug coverage. This indicates that lack of coverage is not just a problem for low-income seniors.

The survey results also indicate that many Medicare HMOs are not providing drug coverage for California seniors. In 1999, the survey data show that 35% of fee-for-service Medicare recipients reported that they had no drug coverage. A similar percentage of Medicare HMO recipients -- 33% -- also reported that they did not have prescription drug coverage.

B. Prescription Drug Utilization by California Seniors

The survey of senior citizens in California indicates a substantial reliance upon prescription drugs. Overall, in 1999, 91% of California seniors reported that they were taking at least one prescription drug. The survey data shows that the average senior in 1999 reported that he or she took almost four (3.74) different prescription drugs. Each different drug utilized by a California senior can require filling numerous prescriptions each year. Moreover, at the same time that more seniors were uninsured in 1999 than in 1998, seniors were also taking more prescription drugs in 1999 than in 1998. In 1998, the average senior in California reported that he or she took 3.49 different prescription drugs, compared to an average of 3.74 in 1999.

Senior women in California took more prescription drugs than senior men in 1999. California women age 65 and over reported that they took an average of 3.91 different prescription drugs, compared to an average of 3.52 for men. Overall, women age 65 and over in California used on average 15% more prescription drugs than men.

Many California seniors use large quantities of prescription drugs. One in five California seniors -- over 675,000 seniors -- reported that they used more than five different prescription drugs in 1999.

C. Prescription Drug Affordability for California Seniors

The results from the surveys of California seniors indicate that hundreds of thousands of seniors in the state are having difficulty affording prescription drugs. Overall, 9% of California seniors -- over 325,000 seniors -- reported that they had either skipped a medication or reduced their dosage of a medication because they could not afford the prescription drugs in 1999. Survey data indicate an increase in the percentage of seniors who could not afford their medications between 1998 and 1999. In 1998, 7.7% of seniors reported skipping a medication or reducing dosage because of the cost. In 1999, this percentage had increased to 9%, meaning that approximately 47,000 additional seniors had difficulty affording their medications.

Seniors without prescription drug coverage are more likely than seniors with coverage to skip their medications because of cost concerns. Among seniors without drug coverage, 13% -- over one in eight -- reported that they were forced to skip their medication or reduce their dosage because of the cost. Seven percent of uninsured California seniors reported that they had monthly drug bills of over \$200 per month.

D. Inadequacies in Existing Coverage for California Seniors

Survey data show that even when California seniors do have drug coverage, this coverage can be inadequate. The data indicated that approximately 30,000 California seniors with drug coverage had out-of-pocket drug costs that exceed \$200 per month. Moreover, 7% of seniors with drug coverage -- 168,00 California seniors -- reported that they were forced to skip medications or reduce dosages because they could not afford their prescription drugs.

Moreover, the data indicate that many seniors with prescription drug coverage -- such as those covered by Medicare HMOs -- have lost coverage. Between 1998 and 1999, the percentage of Medicare HMO members in California reporting that they had no drug coverage increased significantly, from 20% to 33%.

IV. CONCLUSION

The survey results presented in this report provide evidence that the lack of prescription drug coverage under Medicare presents a severe problem for California seniors. Overall, more than 1.2 million seniors statewide have no prescription drug coverage, and the number of seniors without drug coverage appears to be increasing rapidly. Many seniors without prescription drug coverage use multiple prescription drugs and face high drug bills. The high cost of drugs and the lack of coverage have an adverse impact on the health of seniors, often forcing them to skip medications or reduce dosages because they cannot afford the medications they need. Overall, more than one in eight California seniors without drug coverage reported that they were forced to either skip medications or reduce their dosage because they had trouble affording the prescription drugs that they need.