

## GLOSSARY

**Access to a plan.** Employees are considered to have access to a benefit plan if it is available for their use. For example, if an employee is permitted to participate in a health plan offered by the employer, he or she is placed in a category with those having access to a health plan, regardless of whether the employee chooses to participate.

**Participation.** Participation is the percentage of employees who actually enroll in a benefit plan. A plan may be a contributory plan, which requires an employee to contribute to the plan's cost in order to participate, or it may be a noncontributory plan, in which the employer pays 100 percent of the cost of the benefit.

**Takeup rate of a benefit plan.** The takeup rate is the percentage of workers with access to a plan who participate in the plan. Takeup rates are computed by dividing the number of workers participating in a plan by the number of workers with access to the plan, multiplying by 100, and rounding to the nearest percent.

**Brand-name drugs.** These are drugs that once were, or still are, under patents.

**Generic drugs.** These are drugs that are not under any patent. Once a drug's patent has expired, some plans provide more generous coverage for same-formula generic drugs than for name-brand drugs; the practice is adopted as a cost containment measure.

**Mail-order drugs.** These are drugs that can be ordered through the mail. As a cost containment measure, some plans use mail-order pharmacies that typically provide several month's worth of maintenance drugs.

**Formulary drugs.** These are drugs that are approved by the health care provider. Drugs that are not approved by the health care provider are nonformulary drugs, for which enrollees receive less generous benefits, such as a higher copayment per prescription.

**Coinsurance.** This form of medical cost sharing requires an insured person to pay a stated percentage of medical expenses after the deductible amount, if any, is paid. After any deductible amount and coinsurance are paid, the insurer is responsible for the rest of the reimbursement for covered benefits, up to the maximum allowed charges. The individual is responsible for any charges in excess of what the insurer determines to be "usual, customary, and reasonable." Coinsurance rates may differ between services received from an approved provider and those received from providers that are not on the approved list.

for higher reimbursed formulary drugs increased from 44 percent in 2005 to 74 percent in 2009. (See table 2.)

### Copayments

Although workers have outpatient prescription coverage, copayment exists as an additional cost for many. A copayment is a payment made by an individual who has health insurance, to offset some of the cost of care. Usually, the copayment is made at the time a service is received. Most workers are in plans that require a copayment for each prescription—a set amount, rather than a proportion of the prescription's price. For example, under this type of plan, the enrollee would pay \$10 for each prescription filled, regardless of



whether the retail cost of the same purchase would be \$10 or \$100.



Eighty-two percent of all workers had copayment restrictions for generic drugs, the median copayment of which was \$10 per prescription. Seventy-nine percent of workers had copayment restrictions for brand-name drugs, the median copayment of which was \$25 per prescription. Median copayments for generic drugs and for brand-name drugs were similar at \$10 and \$25, respectively, for full- and part-time workers, for union and nonunion members, by industry, and by establishment size. Those plan participants who are not subject to a copayment may have other limits imposed, such as paying a proportion of the cost of the drug. ●

### The next Program Perspectives will feature Health Benefit Costs by Wage Category

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OUTPATIENT PRESCRIPTION  
DRUG COVERAGE

HEALTH BENEFIT COSTS BY  
WAGE CATEGORY

## OUTPATIENT PRESCRIPTION DRUG COVERAGE

### Drug coverage options show broader availability

Prescription drugs are playing an ever-increasing role in the advancement of modern medicine, and outpatient drug coverage will continue to have a significant impact on both employees and organizations as many employees work longer in their careers. U.S. employers are not required by law to provide outpatient paid prescription drug coverage for their employees, but such coverage, typically through employer-provided health plans, often helps to attract and retain desirable employees. In March 2010, 50 percent of all private industry workers had outpatient prescription drug coverage.

This issue of *Program Perspectives* takes a closer look at outpatient prescription drug coverage for private industry workers, including access and participation data, coverage trends, and coinsurance costs. Outpatient prescription drug plans typically include coverage for

brand-name and generic drugs and may provide higher reimbursement levels for certain types of plan-approved drugs.

Estimates of benefit provisions in this issue are from the U.S. Bureau of Labor Statistics (BLS) publications *National Compensation Survey: Employee Benefits in the United States*, March 2010, <http://www.bls.gov/ncs/ebs/benefits/2010>; and *National Compensation Survey: Health and Retirement Plan Provisions in Private Industry in the United States, 2009*, <http://www.bls.gov/ncs/ebs/detailedprovisions/2009/ebb10045.pdf>.

### Access and participation

In March 2010, 69 percent of all private industry workers had access

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TABLE 1

### Outpatient prescription drug coverage: access, participation, and takeup rates, private industry workers, National Compensation Survey, March 2010

All workers = 100 percent

Characteristics	Access	Participation	Takeup rate
<b>Worker characteristic</b>	69	50	73
All workers			
Management, professional, and related Service	85	65	76
Sales and office	44	27	61
Natural resources, construction, and maintenance	70	49	69
Production, transportation, and material moving	74	58	78
	74	57	77
<b>Full time</b>	84	62	74
<b>Part time</b>	23	13	57
<b>Union</b>	89	75	84
<b>Nonunion</b>	67	47	71
<b>Wage percentiles</b>			
Lowest 25 percent	37	21	57
Second 25 percent	74	51	69
Third 25 percent	84	65	77
Highest 25 percent	89	70	79
<b>Establishment characteristics</b>			
1 to 49 workers	54	38	70
50 to 99 workers	68	49	72
100 to 499 workers	80	57	71
500 or more workers	86	67	78

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(ability to receive benefits) to outpatient prescription drug coverage and 50 percent actually received outpatient prescription drug benefits. The takeup rate, which is the percentage of workers with access to outpatient prescription drug coverage who actually participated in this benefit, was 73 percent. (See table 1.)

Outpatient prescription drug coverage varied widely by worker char-

acteristics. Private industry workers in management, professional, and related occupations had nearly double the access rate of service workers for outpatient prescription drug coverage, and participation was 65 percent and 27 percent, respectively. Full-time worker participation (62 percent) was significantly higher than part-time participation (13 percent). Union workers also had greater access and participation rates

compared with nonunion workers.

Higher wage workers (the highest 25 percent of wage earners) had greater access and participation in outpatient prescription drug coverage than lower wage workers (the lowest 25 percent). Participation for the lowest 25 percent of wage earners was just 21 percent, compared with 70 percent for the highest 25 percent of wage earners. The take-

TABLE 2

### Outpatient prescription drug benefits: type of coverage, private industry workers National Compensation Survey, 1995, 2000, 2005, and 2009

All workers participating in outpatient prescription drug plans = 100 percent

Type of coverage	Year			
	1995	2000	2005	2009
Brand-name drugs	99	99	100	99
Mail-order drugs	32	64	77	79
Generic drugs	–	–	–	100
Higher reimbursement for generic drugs	41	78	89	–
Higher reimbursement for formulary drugs	–	–	44	74

NOTE: Dash indicates type of coverage was not surveyed.

up rate for low-wage workers was significantly less than that for high-wage workers, meaning that a larger percentage of lower wage workers did not accept coverage.

Outpatient prescription drug coverage also varied by establishment size. Workers in establishments with 500 or more workers had a 67-percent participation rate, as opposed to 38 percent for smaller establishments with 1 to 49 workers.

#### Coverage

Prescription drug coverage remains an integral part of employer-provided health plans. BLS focused on surveying major types of outpatient prescription drug coverage options, including brand-name, mail-order, generic, and formulary drugs. Brand-name drugs are under a patent, whereas generic drugs are off patent. Generic drugs tend to be priced lower than their brand-name counterparts. Mail-order drugs also are a popular option to

help lower costs on specific drugs that are available through the mail. Formulary drugs are based on a listing of prescription medications covered by a plan, often resulting in a higher level of reimbursement.

Generic and brand-name drugs are still covered in nearly all outpatient prescription drug plans. In 2009, 100 percent of private industry workers participating in outpatient prescription drug plans had coverage for generic drugs and 99 percent had coverage for brand-name drugs. (Note that brand-name drugs may have additional coverage restrictions based on the plan and type of prescription.) Seventy-nine percent of the private industry workers participating in outpatient prescription drug plans had coverage for mail-order drugs, while 74 percent of workers received higher reimbursement for formulary drugs. (See table 2.)

#### Coverage trends

In recent years, increasing pre-

scription drug costs have led to changes in plan coverage. Although most plans continue to cover brand-name drugs, many plans emphasize the usage of greater cost containment measures through higher reimbursement levels for lower cost alternatives such as generic and formulary drugs. When enrollees choose a generic over a brand-name drug to fill a prescription, the plan sponsor accrues substantial savings; therefore, many plans offer more generous coverage for generic substitutes.

Over the past 15 years, nearly all private industry workers participating in outpatient prescription drug plans had coverage for brand-name drugs. Higher reimbursement for generic drugs trended upward, starting at 41 percent in 1995 and rising to 89 percent in 2005. In 2009, all private industry workers had coverage for generic drugs. Coverage for mail-order drugs was reported at 32 percent in 1995, rising to 79 percent in 2009. The percentage of coverage