



Joint Statement on Medication Cost Sharing in State Medicaid Programs

Cost Sharing—Shifting the Burden to Vulnerable Patients

Medication cost sharing occurs when a person is required to pay out-of-pocket for medications, usually in the form of a copayment or “copay.” Cost sharing shifts costs to patients and disproportionately affects persons with chronic or ongoing health problems, like major mental illnesses, while increasing administrative costs for states and providers. For very low income Medicaid participants, even minimal cost sharing can result in reduced use or discontinuation of needed medications—which can lead to serious health problems and higher overall medical costs. States’ use of copays in their Medicaid plans runs counter to the trend in many large corporations that are reducing or eliminating copays—or in some cases providing free medications—for their employees with chronic health conditions to improve healthcare outcomes and reduce costs.

The Administrative Costs of Copays

The federal Deficit Reduction Act of 2005 gives states greater leeway to impose copayments and other cost sharing within Medicaid. However, states and providers can expect to spend significant amounts on administration in order to collect copays. Arizona’s state Medicaid agency concluded that the state would incur almost \$16 million in administrative costs to collect just \$5.6 million in copayments and other cost sharing measures. This figure factors in lost federal matching funds, a result of having to return much of the copays back to the federal government. The Arizona study noted that the administrative costs of collecting the copays do not take into account increased healthcare costs that result from reduced use of medications by patients in need.

A Heavy Burden

Cost sharing puts a heavy burden on vulnerable patients. Medicaid patients with serious mental illness often live on monthly disability incomes—a maximum of \$637 in 2008—leaving many struggling to afford basic housing, let alone food, transportation, medical costs and other necessities.

A focus group study found that participants had “difficulty affording copayments and described instances in which they were unable to obtain prescription drugs because they could not pay. As one participant remarked, ‘Being able to afford \$2.00 is a lot of money when you have absolutely nothing.’” Not surprisingly, copays for prescription drugs reduce the use of needed medications for persons living on limited incomes.

Costly Lessons in the Effects of Copays

The effects of reduced medication use due to copays are serious. A study of Medicare Part D patients with mental illness found that nearly one in four had problems accessing their medications because of copayments, with the following consequences: more than one in four ended up in an emergency room, and one in ten were hospitalized.

Medication Access Problems and Significant Adverse Events for 1,193 Patients

Medication Access Problem	Weighed Percent (N=1,193)	Significant Adverse Events (N=479) ^a		Emergency Room Visits		Hospitalizations	
		%	Odds Ratio (%)	%	Odds Ratio (%)	%	Odds Ratio (%)
Patient had problems accessing medications due to patient copayments	23.6	37.4	2.44***	27.5	3.26**	10.5	1.15

^a Included being admitted for a psychiatric hospitalization, having an emergency room visit, being homeless for more than 48 hours, having an increase in suicidal ideation or behavior, having an increase in violent ideation or behavior, or physically injuring someone.

p<0.01. *p<0.001.

Source: J. West et al., 2007

Another large study found that after cost sharing was implemented, emergency room use increased by 88 percent and hospitalization, institutionalization and death increased by 78 percent. In a recent national survey, 60 percent of surveyed physicians said that rising numbers of psychiatric patients seeking care at emergency departments is increasing wait times and negatively affecting access to emergency care for all patients.

Similarly, the introduction of copays for prescriptions led to reductions in pharmacy expenditures in the Oregon Health Plan, but large increases in per person spending for other medical services, such as hospital outpatient care. Copays shifted costs to other parts of the healthcare system and did not provide expected savings.

Corporate America Leads the Way

Multiple studies conclude that copays reduce adherence to critical medications, resulting in serious health effects. Employers and insurance plans have discovered that reducing or eliminating copays for medications that treat chronic diseases makes better medical and financial sense. The model, often referred to as Value-Based Insurance Design (VBID), offers an alternative that is now being used at corporations such as Marriott, Procter & Gamble and Eastman Chemical. Experiments providing free medications for chronic diseases have found that employees are less likely to need emergency services or hospitalization.

“Cost shifting [onto employees] is the easiest way to attack cost. But it comes right back at you because you’re not attacking the root cause,” says Andrew Scibelli, manager of health management programs at Florida Power & Light.

Summary

Cost sharing in Medicaid programs shifts the burden of medication costs to vulnerable patients, reduces adherence to medications for serious conditions, and leads to poor health outcomes and high costs. For policy makers and the constituents they represent, cost sharing carries high risks that can easily be avoided. States should follow the lead of corporate America to reduce or eliminate medication copays for those with chronic diseases such as mental illness.