



Cutting Drug Co-Payments for Sicker Patients on Cholesterol-Lowering Drugs Could Save a Billion Dollars Every Year

Prescription drugs have been shown to be very cost-effective treatments for chronic illness. Cholesterol-lowering drugs are the most commonly prescribed class of medications in the United States and have a proven track record for reducing cardiac events and mortality. However, many benefit plans have introduced policies to reduce the use of pharmaceuticals, often by across-the-board increases in patient co-payments.

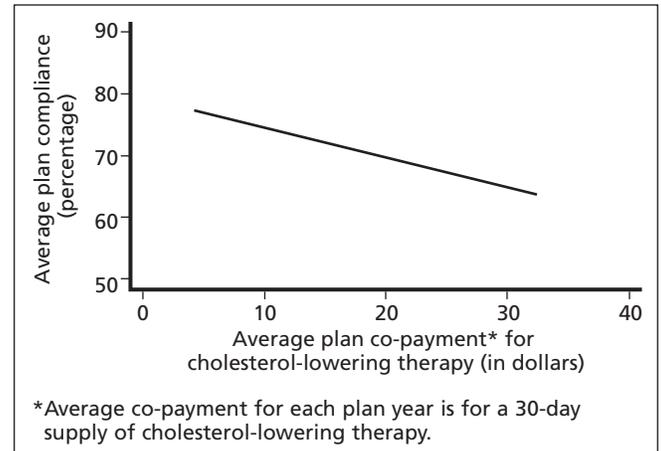
The RAND Corporation investigated the relationship between (1) co-payments and compliance with medication recommendations for patients whose doctors prescribed cholesterol-lowering drugs, and (2) compliance and subsequent use of expensive health care services. RAND then estimated the dollar value of enhancing compliance and reducing the use of medical services. The study found:

■ **When co-payments go up, compliance goes down.** RAND researchers assembled and analyzed a large data set of pharmacy and medical claims spanning five years. Analysis revealed a clear pattern (see the figure): a large inverse relationship between the amount of the co-payment and the patient's compliance with medication recommendations. The figure shows that for each \$10 rise in the co-payment, average compliance falls by 5 percentage points.

■ **Poor compliance with medication recommendations results in greater use of expensive medical services.** RAND estimated the results of full compliance, partial compliance, and noncompliance for three groups of patients: high risk, medium risk, and low risk. While the pattern was the most dramatic for high-risk patients, all groups showed the same general trend: partial compliance or noncompliance results in greater use of expensive medical services, such as hospitalizations and emergency departments.

■ **Financial incentives (zero co-payments for high-risk patients) can improve compliance and save money.** Projections based on zero co-payments for sicker (high-risk) patients and increased (by \$10 or \$20) co-payments for low-risk patients showed that the number of hospitalizations would be reduced by approximately 80,000 to 90,000 each year, and the number of emergency department visits by 30,000 to 35,000, resulting in a net aggregate savings of more than \$1 billion.

As Co-payments Go Up, Compliance Goes Down



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This fact sheet is based on DP Goldman, GF Joyce, and P Karaca-Mandic, "Varying Pharmacy Benefits with Clinical Status: The Case of Cholesterol-lowering Therapy," *The American Journal of Managed Care*, Vol. 12, No. 1, January 2006, pp. 21-28.

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