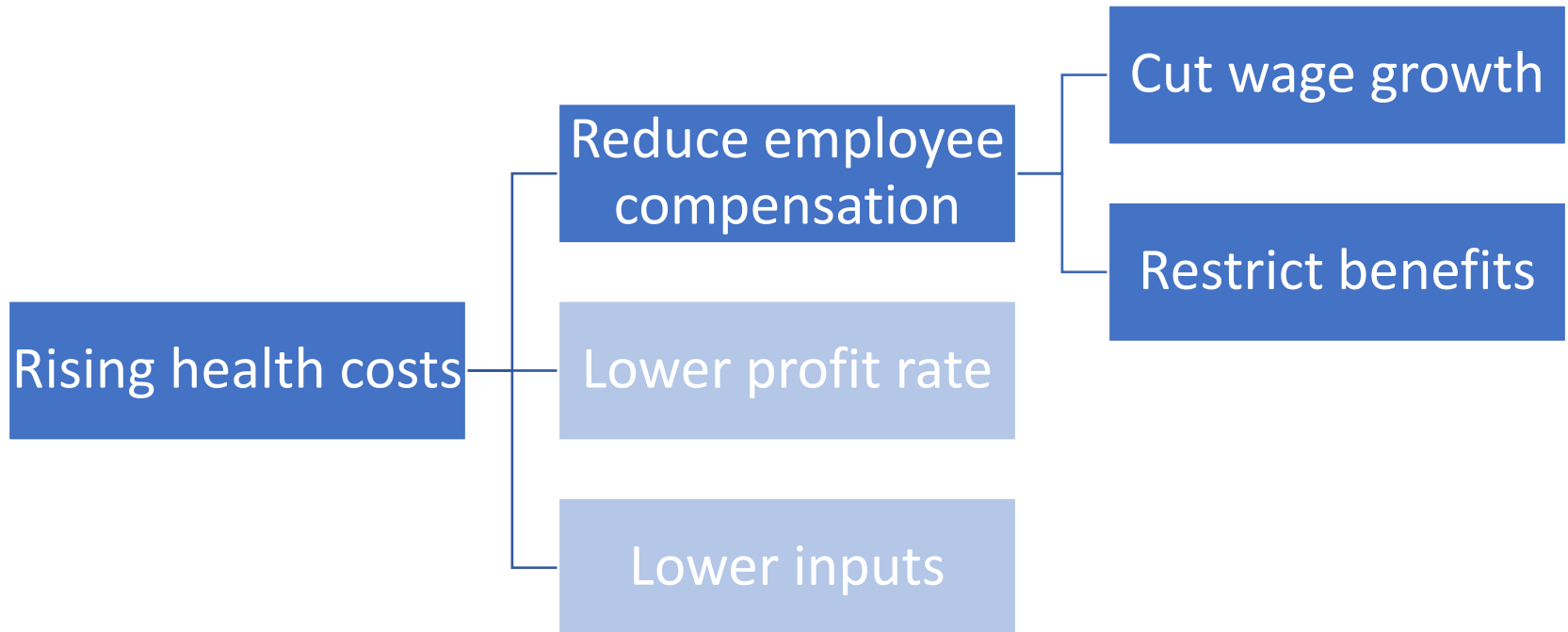


# How Employers are Addressing The Costs of Prescription Drugs

David M. Cutler  
Harvard University

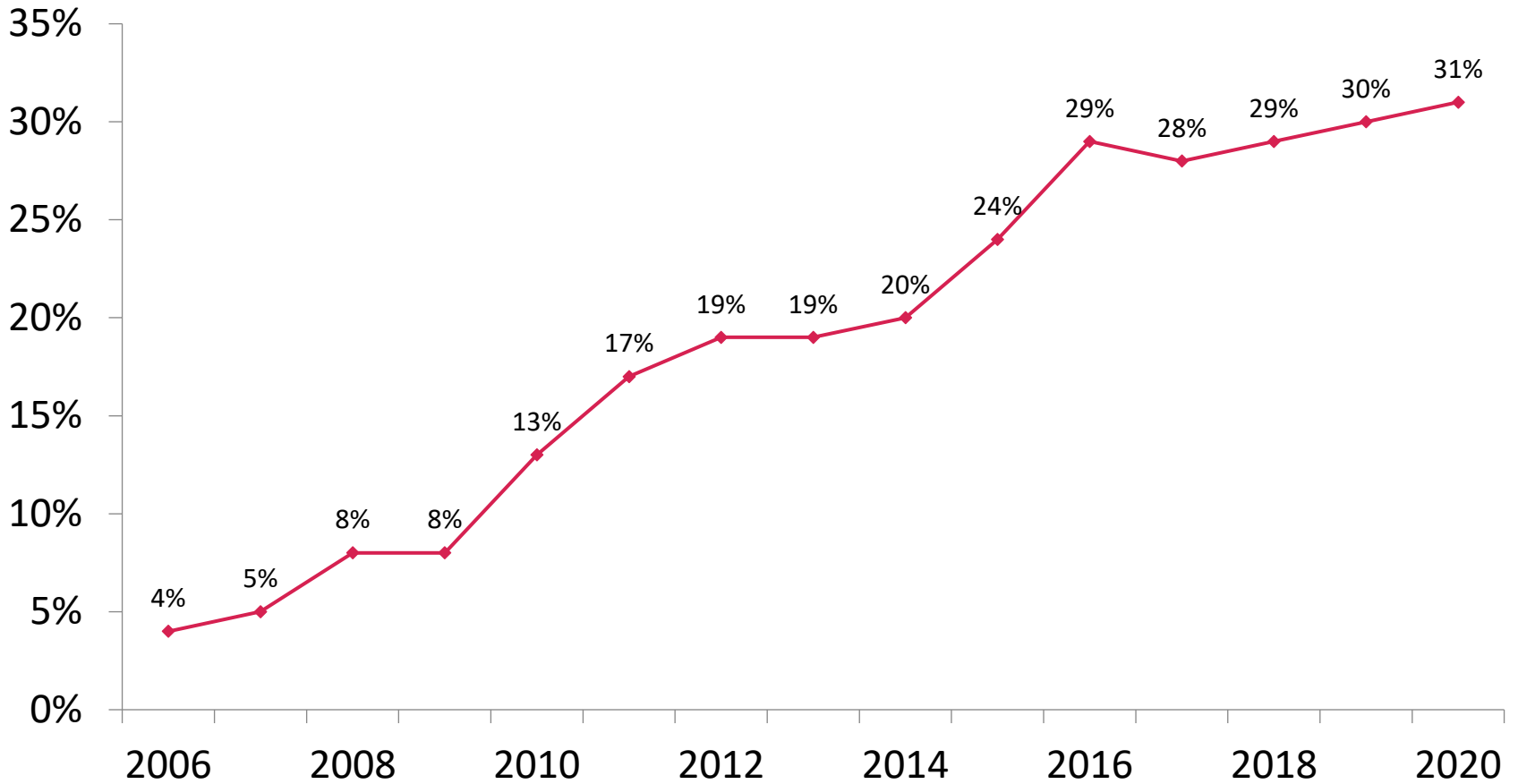
# What happens when health costs rise?



# How do employers restrict benefits?

- Narrow networks
  - The teaching hospital is only in network for certain services
- Higher cost sharing
  - People pay more for more expensive care
- *In pharmaceuticals, these two are essentially the same.*

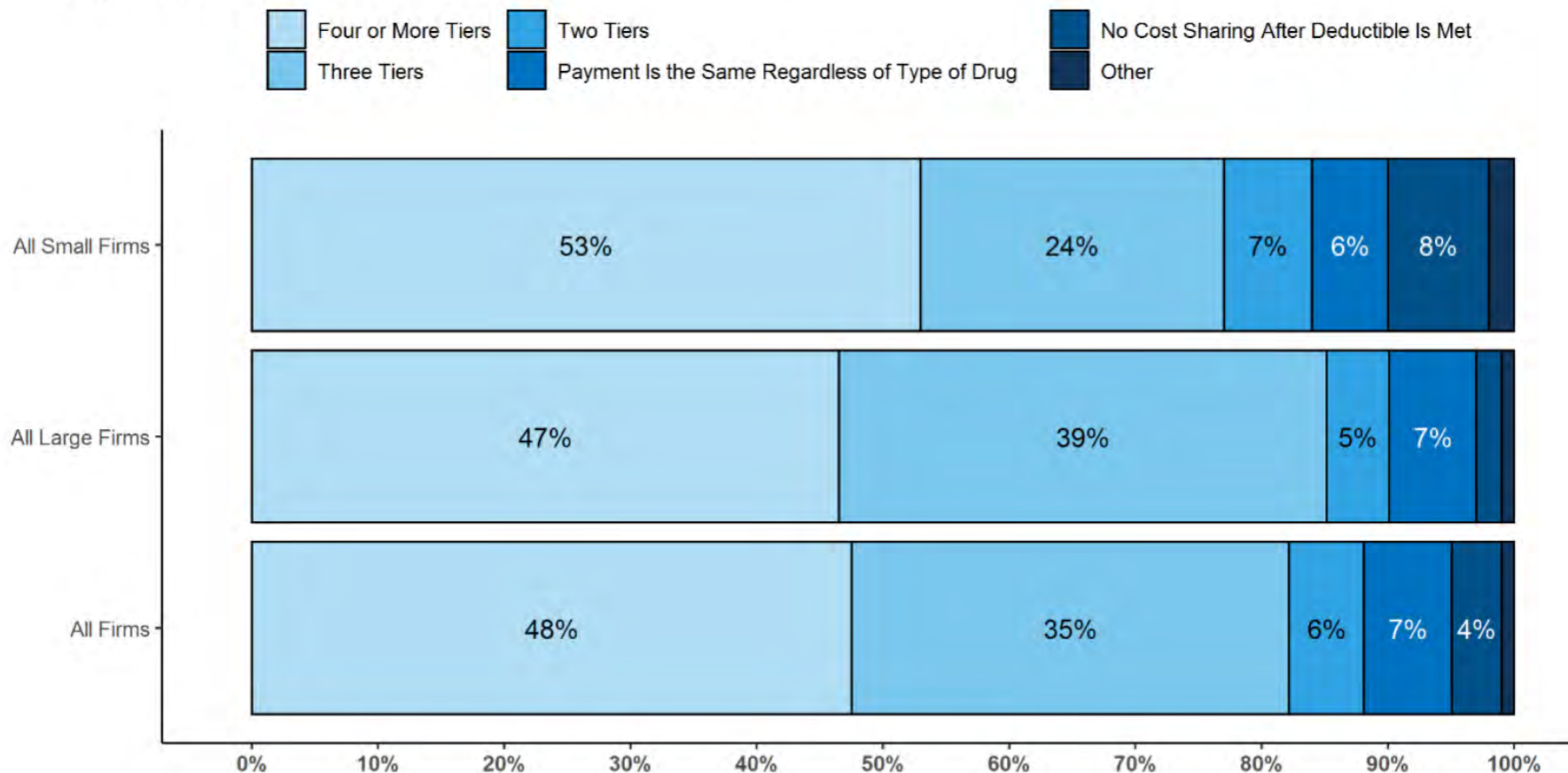
# Share of Covered Workers in an HDHP



*KFF-HRET annual survey.*

**Figure 9.1**

**Distribution of Covered Workers Facing Different Cost-Sharing Formulas for Prescription Drug Benefits, by Firm Size, 2020**



Tests found no statistical difference between Small Firm and Large Firm distributions ( $p < .05$ ).

NOTE: Small Firms have 3-199 workers and Large Firms have 200 or more workers. Number of tiers include any tiers specifically for specialty drugs. Excluding tiers specifically for specialty drugs, 57% of covered workers with prescription drug coverage are enrolled in a plan with four or more tiers, 11% have three tiers, 6% have two tiers, 5% have the same cost sharing regardless of the drug, and 1% have no cost sharing after the deductible is met. For more information on the definition of specialty drugs and how this survey defines drug formulary tiers, see Section 9.

SOURCE: KFF Employer Health Benefits Survey, 2020

**Figure 9.6****Among Covered Workers With Prescription Drug Coverage, Average Copayments and Coinsurance, 2020**

	Average Copayment	Average Coinsurance
<b>Plans With Three or More Tiers</b>		
First Tier	\$11	18%
Second Tier	\$35	25%
Third Tier	\$62	37%
Fourth Tier	\$116	28%
<b>Plans With Two Tiers</b>		
First Tier	\$12	NSD
Second Tier	\$37	29%
<b>Plans With the Same Cost Sharing For All Covered Drugs</b>		
First Tier	NSD	20%

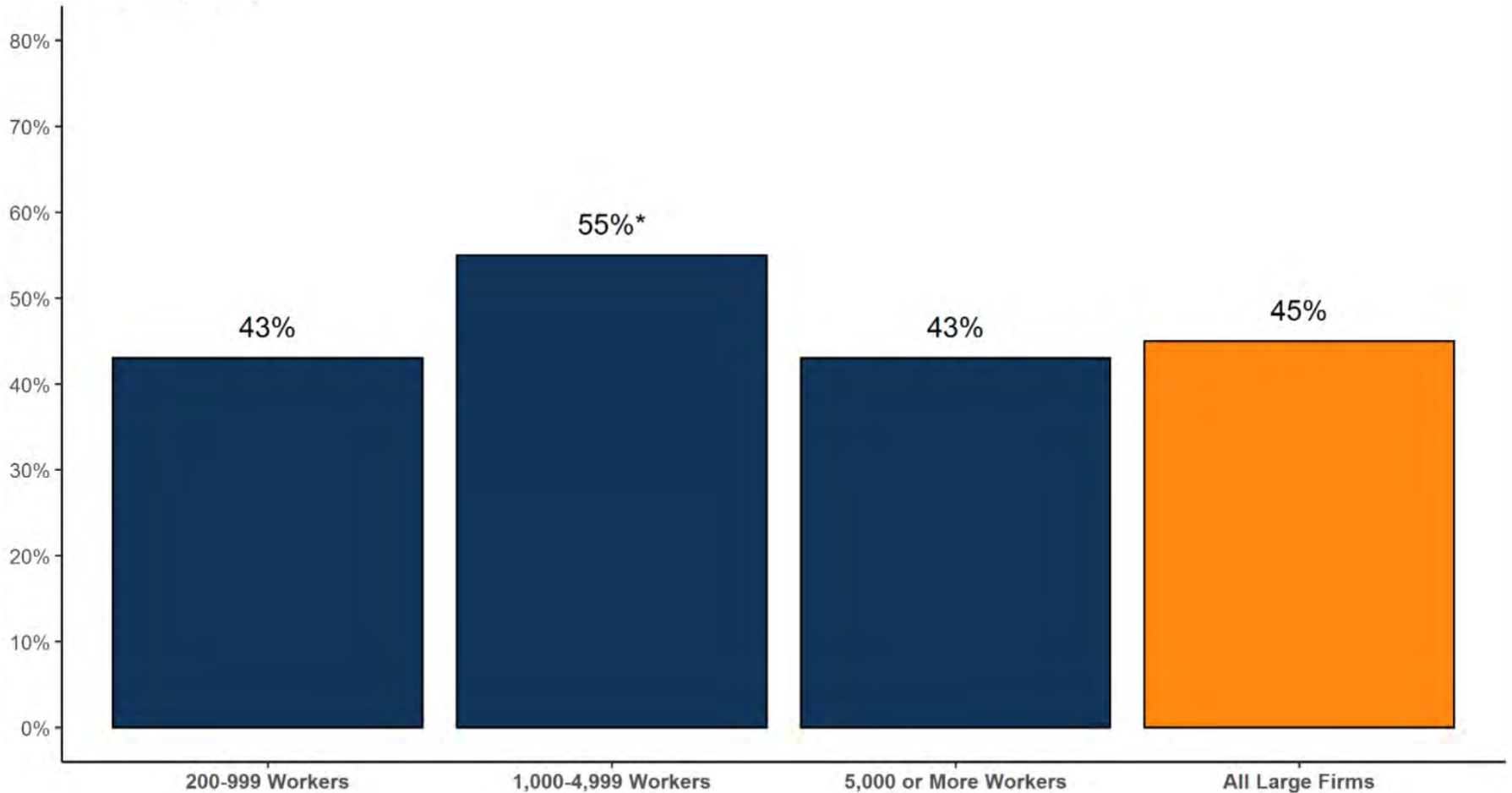
NOTE: Number of tiers refers to the number of tiers excluding those specifically for specialty drugs.

NSD: Not Sufficient Data

SOURCE: KFF Employer Health Benefits Survey, 2020

**Figure 9.9**

**Among Large Firms Whose Prescription Drug Coverage Includes Specialty Drugs, Percentage of Covered Workers Enrolled in a Plan That Has a Separate Tier for Specialty Drugs, by Firm Size, 2020**



\* Estimate is statistically different from estimate for all other firms not in the indicated size category ( $p < .05$ ).

NOTE: Large Firms have 200 or more workers.

SOURCE: KFF Employer Health Benefits Survey, 2020

**Figure 9.11**

**Among Covered Workers at Large Firms Enrolled in a Plan With a Separate Tier for Specialty Drugs, Average Copayments and Coinsurance, by Firm Size, 2020**

	Average Copayment (\$)	Average Coinsurance (%)
<b>FIRM SIZE</b>		
200-999 Workers	\$106	27%
1,000-4,999 Workers	97*	25
5,000 or More Workers	118	27
<b>All Large Firms (200 or More Workers)</b>	<b>\$109</b>	<b>26%</b>

\* Estimate is statistically different from estimate for all other firms not in the indicated size category (p < .05).

SOURCE: KFF Employer Health Benefits Survey, 2020



# The Impact of Cost Sharing

- It shifts costs to people with predictable and very expensive illnesses
- People cut back... indiscriminately.
  - Some changes are good, others are bad.
  - Many (most?) drugs deliver high value