

Multi-tier Co-pays and the Chronically Ill

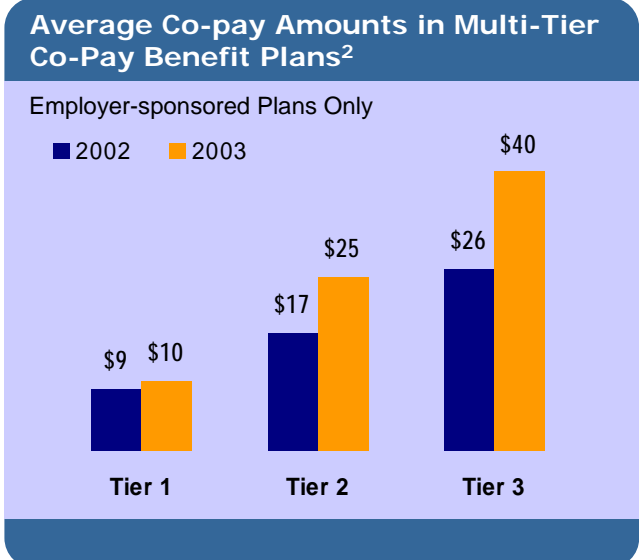
Overview

Employers increasingly have adopted strategies to reduce prescription drug costs, including cost-sharing arrangements that require employees to pay a greater share of the costs. A highly prevalent strategy is the multi-tier co-pay (MTC) benefit design, with three or more tiers, in which an employee's out-of-pocket cost, or co-pay, for a prescription drug depends on that medicine's tier level.

In 2002, approximately 57% people with employer-sponsored health benefits were enrolled in MTC plans – growing from 29% of employees with this benefit design in 2000¹.

The growing use of tiered benefit plans and increasing co-pay levels has prompted concern that higher co-pays may lead patients, particularly those with chronic illnesses, to reduce prescription drug compliance and, consequently, experience negative health outcomes that result in increased utilization of other health care services.

To gain a better understanding of the impact of tiered-formularies on patient behavior and health outcomes, Harris Interactive, the market research firm, conducted a survey of patients and retail pharmacists. The study included telephone interviews with 2,711 adults with prescription drug coverage and at least one chronic health condition, as well as an online survey of 1,001 retail pharmacists.



Key Findings

The findings reveal that chronically ill patients with employer-sponsored drug coverage in MTC drug benefit plans:

- > **Have greater difficulty paying out-of-pocket costs**
 - Average monthly out-of-pocket costs are 62% higher than for patients in non-tiered plans
 - 46% report having difficulty paying out-of-pocket costs, while 19% among the non-tiered survey population report having difficulty
 - Patients in MTC plans on average take 2.1 medicines, while those in non-tiered plans take 1.4 prescription medicines
- > **More frequently report being in fair or poor health**
 - 33% of patients in MTC plans report fair or poor health
 - Only 17% of patients in non-tiered plans report being in fair or poor health
- > **More frequently engage in non-compliant behavior to save money, including delaying getting a prescription filled, deciding not to fill a prescription, taking a prescription less frequently than prescribed, taking smaller doses, or splitting pills**
 - Patients with MTC plans were more than twice as likely as those in non-tiered co-pay plans to report employing at least one of these tactics
 - 37% of patients report experiencing health problems they attribute to these non-compliant behaviors
- > **Use more health care services and are more likely to miss days from work**

¹ Source: Kaiser Family Foundation and Health Research and Educational Trust "2002 Employer Health Benefits Survey"

² Source: 2002 Figures - Kaiser Family Foundation and Health Research and Educational Trust "2002 Employer Health Benefits Survey"; 2003 Figures - Towers Perrin

Chronically Ill Patients in Three+ Tier Plans in Fair or Poor Health or in Lower Income Brackets are More Likely to Use Non-Compliant Strategies to Reduce Out-of-Pocket Expenditures

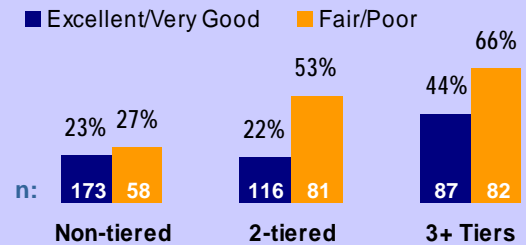
Among patients in MTC plans reporting fair/poor health status:

- > 66% report using any non-compliant strategy to save money compared to 27% of those in fair/poor health status in non-tiered plans
- > 59% report delaying getting a prescription filled
- > 50% report not filling a prescription
- > 47% report taking a medicine less frequently than prescribed

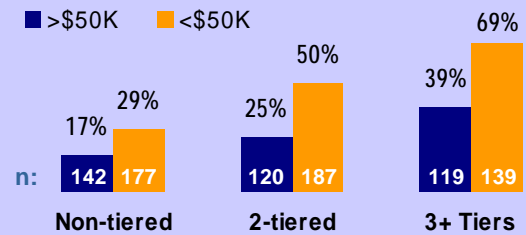
Among patients with annual incomes of \$50,000 or less in MTC plans:

- > 69% report using any non-compliant strategy to save money
- > 58% report delaying getting a prescription filled
- > 48% report not filling a prescription
- > 38% report taking a prescription less frequently than prescribed

% Patients Reporting Using Any Non-Compliant Strategy By Health Status



% Patients Reporting Using Any Non-Compliant Strategy By Income



Pharmacist Perceptions Support Patient Self-Reported Research

- > 90% of pharmacists believe patients will use “less than optimal” medication due to insurance restrictions
- > Two-thirds of pharmacists believe patients will delay filling a prescription when the out-of-pocket costs exceeds \$34.60 – about \$6 less than the 3rd tier co-pay
- > Over half of the pharmacists surveyed believe patients will decide not to fill a prescription or will take a medicine less frequently than prescribed to save money

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