Researchers propose consumers buy yearly 'drug licenses' as new way to pay for prescriptions

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Changing the way consumers pay for prescription drugs so that the system more closely resembles paying for cell phones or computer software could increase drug use without altering patients' out-of-pocket spending, health plan costs or drug company profits, according to a new RAND Corporation study.

Researchers propose that consumers pay an annual "license" fee that would entitle them to a year's worth of medicine for each prescription they take on an ongoing basis, with a very small or no co-payment for each monthly supply.

Such a system could be used to pay for medicines that treat chronic conditions such as high cholesterol, diabetes or asthma without increasing the cost to consumers and may reduce the periods when patients go without such medicines because of the cost, according to a study published in the journal *Health Affairs*.

"We propose a fundamentally new way for consumers to pay for medicines that are taken for long periods of time to treat chronic health conditions," said Dana Goldman, corporation chair in health economics and director of the Bing Center for Health Economics at RAND, a nonprofit research organization. "We believe this approach can help improve patient care without costing anyone more money."

Researchers suggest that a pilot study be organized with the cooperation of health insurers and drug manufacturers to test the benefits of the proposal.

The “two-part pricing” scheme outlined by researchers is used to pay for products in many areas outside the medical world. Payments for Internet service, cable and satellite television, all-you-can-eat buffets and country club memberships are all examples of the pricing plan. Consumers pay a set fee to cover a period of time, with unlimited access to the services. Consumers can use as much or as little as they need.

Maybe the best example of the pricing plan is computer software, researchers say. Instead of paying a fee every time a computer is turned on, consumers pay a one-time fee to buy a license for unlimited use of a company’s computer software operating system, for example.

What makes pharmaceuticals similar to these products -- and different from other health services -- are the very low costs of production and the existence of few good substitutes, researchers say.

The article in Health Affairs outlines how a drug-licensing system might be used to pay for statin drugs -- the most-popular form of prescription medication used to treat high cholesterol.
Researchers examined the current costs of the drugs and how the new pricing plan might affect patient compliance -- whether patients are taking drugs as prescribed by their physicians.

Researchers propose that consumers pay a $195 fee for an annual license for the statin drugs -- equal to what most consumers now pay out of their own pockets each year if they have insurance plans that require $25 per-prescription co-payments. Insurance companies would pay an additional $374 to drug companies for each statin license.

Because there would be no monthly out-of-pocket payments for consumers, researchers suggest that patients would be more likely to take their prescriptions. Analyzing past research about the impact of rising co-payments on patient compliance, researchers suggest the average annual use among patients taking statins would climb from 7.8 months to 9.8 months under the new pricing plan.

The increased use of the medication among patients may result in fewer long-term health problems and lower overall costs to insurance providers, according to the study.

“The up-front cost may discourage some patients from starting drugs, but that could be overcome by allowing monthly payment plans,” Goldman said. “Research suggests that eliminating or greatly reducing co-payments for individual prescriptions will encourage patients to stick with their medicine regimes and that will improve the quality of medical care.”

Spending on prescription drugs has outpaced the growth in total spending on health care in the United States, growing 10 percent from 1998 to 2003 compared to 5 percent growth in all health care costs.

Rising drug costs have caused many insurance plans to increase the co-payments made by consumers, leading to greater concerns about patients skipping medications because of cost. Physicians regularly distribute free samples to patients and some insurance plans have even begun requesting that enrollees engage in pill splitting -- dividing higher-dose tablets to avoid buying additional prescriptions.

Source: RAND Corporation