

Most seniors have drug coverage, study shows

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More than 90 percent of Americans age 65 and older have prescription drug coverage today, compared to 76 percent who were covered in 2004, according to a University of Michigan analysis. And poor seniors are just as likely to have coverage as the rich.

The analysis compares drug coverage among a nationally representative sample of 9,321 older Americans who were interviewed both in 2004 and after the Medicare Part D prescription drug benefit started in 2006. The report, "Take-Up of Medicare Part D: Results from the Health and Retirement Study," was published in January 2009 as a National Bureau of Economic Research working paper.

The Health and Retirement Study, conducted since 1992 by the U-M Institute for Social Research (ISR), is funded primarily by the National Institute on Aging.

"Despite widespread concerns that the plan is complex and confusing, our findings show that 60 percent of seniors who had no drug coverage signed up for Part D," said economist Helen Levy, who co-authored the paper with economist David Weir, who directs the Health and Retirement Study.

"Further, 70 percent of those who had three or more conditions requiring medication signed up for Part D," noted Levy, "compared with 37 percent who had no such medical conditions. This suggests that the decision to sign up reflects a rational economic choice, based on the

need for prescription medication."

Median out-of-pocket drug spending dropped from \$100 in 2004 to \$40 in 2006 for those newly covered by Part D.

In 2004, the analysis found, 24 percent of Americans age 65 and older lacked prescription drug coverage. In 2006, just seven percent lacked coverage.

Using data from the Health & Retirement Study, the researchers were also able to assess how cognitive ability and economic status affected the likelihood that seniors would sign up for Part D coverage.

People with better cognitive abilities were slightly more likely to sign up for Part D benefits, the researchers found. Also, older people were less likely to sign up, as were single men. "These results suggest that additional outreach to vulnerable populations might be targeted to the very old, the cognitively impaired, and single men," the authors write.

Finally, they found that the program basically leveled the playing field between rich and poor, reducing disparities in coverage between income groups.

While the results suggest that Plan D has been an effective program, Levy and Weir note that additional analyses needs to be done. "We found that beneficiaries generally made good decisions about whether or not to sign up for Plan D, but this doesn't mean that they made optimal decisions about which Plan D plan to choose," said Levy. "The apparent economic rationality governing the sign-up decision may mask rampant confusion at the level of plan choice."

Source: University of Michigan

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