

Medicare prescription drug benefit reduced elderly mortality by more than 2 percent

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The implementation of Medicare's prescription drug benefit program has reduced elderly mortality by 2.2 percent annually since 2006, says a new study by Julian Reif, a professor of finance and of economics at Illinois. Credit: L. Brian Stauffer

A new paper co-written by a University of Illinois expert in health care

economics provides the first evidence that the increase in drug utilization attributable to Medicare Part D saved lives.

The implementation of Medicare's prescription drug benefit program has reduced elderly [mortality](#) by 2.2 percent annually since 2006, according to an analysis by Julian Reif, a professor of finance and of economics at Illinois.

"A big question in [health economics](#) is 'Do public [health](#) insurance programs improve people's health?'" said Reif, also a faculty member of the Institute of Government and Public Affairs and the Center for Business and Public Policy. "You would think the answer would be obvious, but it's a hard thing to prove. This paper provides strong evidence that health insurance programs improve health, and that reducing the price of medical care also improves health."

The study, which will be published in the *Journal of Health Economics*, compared trend differences in mortality between the "young-elderly" (age 66) who had been eligible for Medicare Part D for at least one year and the "near-elderly" (age 64) who were not yet eligible during the implementation phase of the prescription drug insurance program.

"The analysis in the paper is very simple: People over the age of 65 are almost universally eligible for Medicare, people under age 65 are not," Reif said. "The paper looks at changes in the mortality rate of people just over age 65 versus people just under age 65. We looked at it before and after Medicare Part D came online."

Reif and co-author Jason Huh, a U. of I. doctoral student, found a 2.2 percent annual reduction in the mortality rate among 66-year-olds relative to 64-year-olds, "an effect that is primarily driven by a 4.4 percent reduction in cardiovascular mortality," according to the paper.

"It fits in this more general question about the efficacy of [public health insurance](#) programs in improving our health," Reif said. "There are other papers that look at Medicare and Medicaid, and their effect on public health. This paper is the first to look at Medicare Part D."

Reif said the advantage of the study is that the population is very large, "and you need a really large dataset to detect these effects."

"We employed detailed cause-of-death mortality records for the entire U.S. population, which allowed us to measure mortality, a relatively rare event, very precisely," he said. "A lot of other studies can't look at mortality because their sample size is too small."

The prescription drug program currently serves 39 million Medicare beneficiaries and spends \$70 billion per year. Reif calculated the social value of the reduction in elderly mortality attributable to Medicare Part D at \$5 billion per year. Combining this result with prior studies evaluating its nonhealth benefits yields a total benefit of about \$20 billion per year, which accounts for a sizeable fraction of the program's total expenditures, Reif said.

"There's certainly more to health than how long you live," Reif said. "We look at mortality because it's easy to measure. But you take [prescription drugs](#) not just to live longer but also to relieve pain or to manage symptoms. There are quality-of-life benefits as well that come from health care; it's just harder to measure those. But it's reasonable to think that if you're finding mortality effects there are drugs that are also making useful quality-of-life improvements, as well. To really evaluate whether what we spent on it was worth it, you really want to take into account all those things."

While Medicare Part D was initially criticized as a boon to the pharmaceutical industry, others argued that the program's potential

health benefits would make its costs worthwhile, Reif said.

"I think the paramount concern is what has been the effect on people's health," he said. "The more we improve people's health, the more we should be OK with spending \$70 billion per year on Medicare Part D. Regardless of whether you think we're overpaying pharmaceutical companies for drugs, it does appear to be improving people's health. It should be comforting to know that we're at least getting some results."

In light of the legislative rumblings to repeal and replace the Affordable Care Act, the effect of health insurance on health is a fundamental question for policymakers, Reif said.

"This matters because we spend a lot of money on social insurance programs like Medicaid and Medicare, and one of the major justifications for social insurance programs like Medicare and Medicaid is that they save lives and actually improve people's health," he said. "So I think it's important to know that there's evidence that these programs really work to reduce mortality."

More information: Jason Huh et al, Did Medicare Part D reduce mortality?, *Journal of Health Economics* (2017). [DOI: 10.1016/j.jhealeco.2017.01.005](https://doi.org/10.1016/j.jhealeco.2017.01.005)

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