Drug costs, not volume, causes regional differences in Medicare drug spending

8 February 2012

The cost of medications through Medicare's subsidized prescription drug program varies from region to region across the United States largely due to the use of more expensive brand-name drugs and not because of the amount of drugs prescribed, according to a study led by researchers from the University of Pittsburgh Graduate School of Public Health (GSPH). The authors said that more efficient prescribing practices could have saved the Medicare program and its beneficiaries $4.5 billion.

The study results, which appeared in the Feb. 9 issue of *The* New England Journal of Medicine, suggest increased use of lower-cost generic medications could substantially reduce drug spending and beneficiary out-of-pocket costs without compromising quality of care or health. In addition, regional costs per prescription closely parallel the use of brand-named drugs.

The research suggests the Medicare Part D benefit design, which promotes cost-sharing and utilization management, may be an important tool for boosting the use of generic drugs in the program and saving money, particularly in high-cost regions, said Julie M. Donohue, Ph.D., associate professor of health policy and management and lead author of the study.

"Promoting the use of generics could greatly lower out-of-pocket costs for patients and save Medicare money. Lower costs could potentially lead to improved adherence to medication regimens, which in turn would lead to overall improvements in health," Dr. Donohue said.

Studies have shown that there are differences in Medicare drug spending across the United States, but until now the reasons behind those differences have not been well understood.

Dr. Donohue's team examined 2008 Medicare data for 4.7 million beneficiaries. In addition to studying overall medication use, they looked at three drug categories widely prescribed to the elderly: blood pressure medications, cholesterol-lowering statins and newer antidepressants. The data was analyzed across hospital referral regions and adjusted for demographic, socioeconomic and health status differences.

They found that mean adjusted per capita pharmaceutical spending ranged from $2,413 in the lowest hospital referral region to $3,008 in the highest. More than 75 percent of that difference was due to the cost per prescription ($53 versus $63). However, the data indicated differences in the role of volume versus cost depending on the drug class studied. For example, the cost per prescription was the most important factor for medications used to treat hypertension and high cholesterol while the differences in volume were more important in the costs of antidepressants.

"The preference to use antidepressants among the elderly may vary by region, which may account for some of the difference the research found in this drug class compared to the other two studied," Dr. Donohue said.

Provided by University of Pittsburgh Schools of the Health Sciences

APA citation: Drug costs, not volume, causes regional differences in Medicare drug spending (2012, February 8) retrieved 25 January 2021 from https://medicalxpress.com/news/2012-02-drug-volume-regional-differences-medicare.html

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