

Who wins when a prescription copay exceeds the drug price? Not the patient

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Credit: AI-generated image ([disclaimer](#))

Prescription drug copayments often exceed the retail cost of a drug, a recent USC study reveals. This means that technically an overpayment occurs, and someone—not the patient—keeps the excess payment.

Researchers at the USC Schaeffer Center for Health Policy &

Economics who recently analyzed claims found that the copay exceeds the cost to the insurer in 1 in every 4 claims. The average overpayment is about \$7.69. However, almost 1 in 5 overpayments exceeded \$10. Sixty percent were worth \$5.

"Our study sheds light on what many had assumed to be an uncommon practice and finds that overpayments may occur much more frequently than we realized," said lead author Karen Van Nuys, a research assistant professor at the USC Price School of Public Policy and executive director of the Schaeffer Center's life sciences innovation project. "These findings have implications for patients' out-of-pocket spending as well as national drug spending trends."

Drugs with frequent overpayments include antibiotics, statins, anti-hypertensives, sleep aids, anti-inflammatories, and cough and cold medications. Almost 23 percent of the claims—2.2 million—involved overpayments. Not surprisingly, they occurred more frequently on generic drugs than on branded, 28 percent versus nearly 6 percent.

"Not only does this raise drug [costs](#) for consumers, but it is inherently unfair to penalize people for having—and paying for—insurance," said Geoffrey Joyce, a co-author on the study and director of [health policy](#) at the Schaeffer Center. "And furthermore, for patients who are financially constrained, \$5 or \$10 could mean the difference between being filling a prescription or not."

Most consumers—whether insured through their employer, the individual market or government programs—have set copays for prescription drugs, an out-of-pocket expense they pay at the pharmacy counter. The copay framework is intended for the patient and insurer to share the cost.

Pharmacies pass the copays to pharmaceutical benefits managers, who

reimburse the pharmacies a negotiated rate to cover [drug costs](#), as well as any dispensing fees and markups.

More information: Karen Van Nuys et al. Frequency and Magnitude of Co-payments Exceeding Prescription Drug Costs, *JAMA* (2018).

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