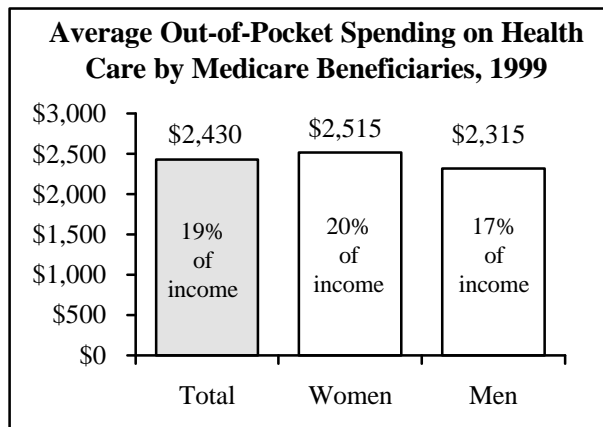


FYI: OUT-OF-POCKET SPENDING ON PRESCRIPTION DRUGS BY WOMEN AND MEN AGE 65 AND OLDER:¹ 1999 PROJECTIONS

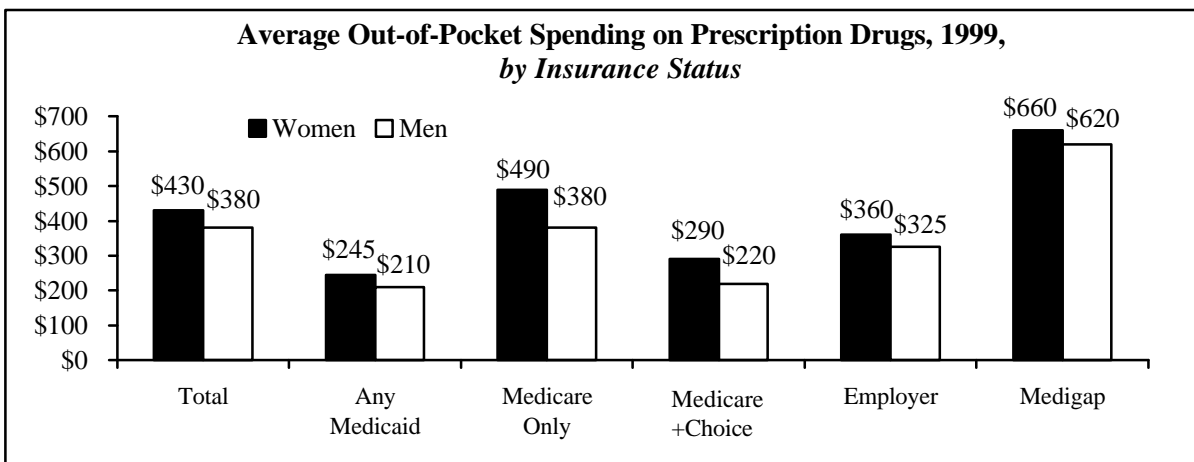
Medicare, which provides critically important health care coverage to older persons (age 65 and older), does not pay for most outpatient prescription drugs. Older persons must either pay for prescription drugs out of their own pockets or obtain coverage from public or private sources to assist with these costs. Recent research has identified many gaps in private drug coverage and the degree of protection it affords.²

This FYI compares coverage for, and out-of-pocket spending on, prescription drugs by women and men age 65 and older. Out-of-pocket spending on prescription drugs is the largest single component of beneficiary out-of-pocket health spending, after premium payments. In 1999, Medicare beneficiaries age 65 and older spent 19 percent of their income out-of-pocket on health care, an average of \$2,430; 17 percent of this amount (\$410) was for prescription drugs.³ Spending on prescription drugs was much higher among beneficiaries who reported being in poor or fair health (\$605), or severely limited in their activities of daily living (\$595).

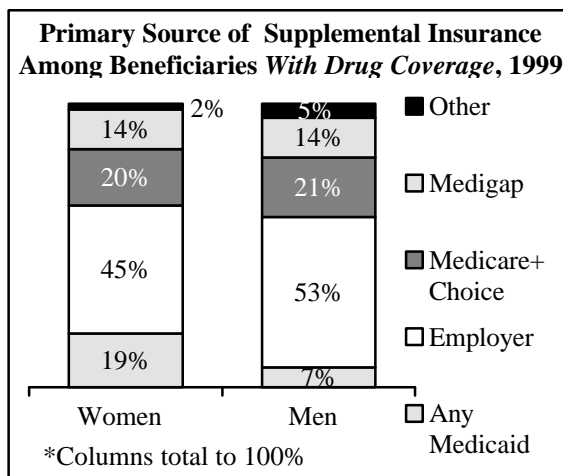
- Older women spend more out-of-pocket on *health care* than older men, on average. Because older women typically have lower incomes than older men, their health care costs consume a larger share of their annual income.



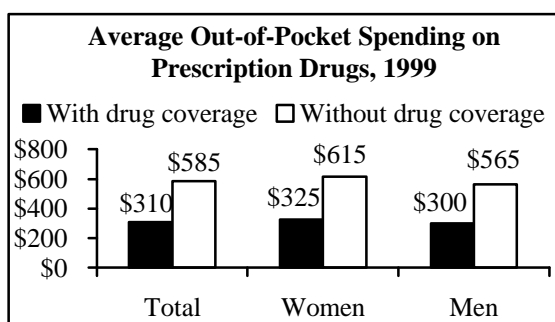
- Older women spend more out-of-pocket on *prescription drugs*, on average, than do older men, regardless of the type of supplemental insurance coverage they have.



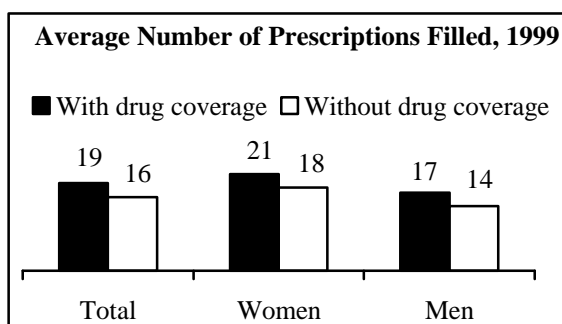
- More than one third of both older women and men lack any drug coverage. Among those with some form of prescription drug coverage, women are more likely to have supplemental coverage from Medicaid and less likely to have employer-sponsored coverage.



- Women *without* drug coverage spend more out-of-pocket on drugs than their male counterparts. Women *with* drug coverage also spend more than men.



- On average, older women fill more prescriptions than men each year, regardless of whether they have drug coverage.



Factors that may partially explain these findings include older women's higher rates of chronic illness, poor self-reported health status, and limitations in activities of daily living. These factors have been linked to higher out-of-pocket spending on prescription drugs.⁴

¹ These 1999 projections include noninstitutionalized Medicare beneficiaries age 65 and older. All data are from PPI analysis using the Medicare Benefits Model, Version 2.0. All dollar figures are rounded to the nearest \$5. Out-of-pocket spending on prescription drugs includes only direct spending on drugs; it does not include any additional premiums for drug coverage through supplemental insurance. Total out-of-pocket spending includes Medicare cost sharing; Part B and private insurance premiums; physician balance billing; and the cost of goods and services not covered by Medicare. It does not include the costs of home care or long-term nursing home care. For more information, see David Gross and Normandy Brangan, "Out-of-Pocket Spending on Health Care by Medicare Beneficiaries Age 65 and Older: 1999 Projections," AARP PPI Publication IB#41, December 1999.

² J. Poissal et al., "Prescription Drug Coverage and Spending for Medicare Beneficiaries," *Health Care Financing Review*, Spring 1999, Vol. 20, No. 3. Also M.J. Gibson et al., "How Much Are Medicare Beneficiaries Paying Out-of-Pocket for Prescription Drugs?," AARP PPI Publication #9914, September 1999.

³ Gross and Brangan, 1999.

⁴ E. Steinberg, et al., "Beyond Survey Data: A Claims-Based Analysis of Drug Use and Spending by the Elderly," *Health Affairs*, March/April 2000, Vol. 19, No. 2; M.J. Gibson, et al., 1999 (see note 2 above).

Additional information about older women and Medicare will be available Summer 2000 in a forthcoming AARP PPI issue paper.

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