

EMPLOYER HEALTH BENEFITS
2006 ANNUAL SURVEY

Prescription
Drug and Mental
Health Benefits

SECTION

9

PRESCRIPTION DRUG AND MENTAL HEALTH BENEFITS

VIRTUALLY ALL COVERED WORKERS HAVE PRESCRIPTION DRUG AND MENTAL HEALTH BENEFITS. ALMOST THREE IN FOUR COVERED WORKERS ARE IN PLANS WITH A THREE-TIER OR FOUR-TIER COST SHARING ARRANGEMENT FOR PRESCRIPTION DRUGS. THE AVERAGE COPAYMENT AMOUNTS IN THESE PLANS HAVE RISEN STEADILY OVER THE PAST FEW YEARS. RESTRICTIONS ON THE NUMBER OF OUTPATIENT VISITS AND INPATIENT HOSPITAL DAYS FOR MENTAL HEALTH CARE REMAIN A COMMON FEATURE OF HEALTH PLANS IN 2006.

EIGHTY-FOUR PERCENT OF COVERED WORKERS ARE ENROLLED IN PLANS WHERE THEIR EMPLOYER MADE NO CHANGES TO THEIR LEVEL OF HEALTH BENEFITS, EXCEPT IN COST SHARING, IN THE PAST YEAR (EXHIBIT 9.1). EIGHT PERCENT ARE IN PLANS THAT INCLUDED MORE HEALTH BENEFITS THAN LAST YEAR, AND EIGHT PERCENT ARE IN PLANS THAT INCLUDED FEWER HEALTH BENEFITS THAN LAST YEAR.

PRESCRIPTION DRUG BENEFITS

- ▶ As in prior years, nearly all (98%) covered workers in employer-sponsored plans have a prescription drug benefit.
- ▶ A majority of covered workers (90%) in 2006 have some sort of tiered cost-sharing formula for prescription drugs (Exhibit 9.2). Cost-sharing tiers generally are associated with the placement by a health plan of a drug on a formulary or preferred drug list. The formulary or drug list generally classifies drugs as a generic, a preferred brand-name, or a nonpreferred brand-name drug. Recently, a few plans have created a fourth tier of cost sharing, which is used in some cases for lifestyle drugs or expensive biologics. Seventy-four percent of covered workers are enrolled in plans with three or four tiers of cost sharing for prescription drugs (Exhibit 9.2).
 - HDHP/SOs have different cost-sharing patterns for prescription drugs than other plan types. Only 42% of covered workers in HDHP/SOs are in a plan with three or four tiers of cost sharing for prescription drugs. Thirty-seven percent of covered workers in HDHP/SOs are in plans that apply the same cost-sharing structure to all drugs. This latter group includes some cases in which employers reported that covered workers faced no cost sharing for prescription drugs after the plan deductible was met.
- ▶ A large percentage of covered workers with tiered benefits face copayments rather than coinsurance for generic, preferred, and nonpreferred drugs (Exhibit 9.3). The percentages differ slightly across drug types because some plans have copayments for some drug types and coinsurance for other drug types.
 - Average drug copayments increased slightly over the last year. The average drug copayments for generic (\$11), preferred (\$24), and nonpreferred (\$38) drugs increased slightly over their levels in 2005 (Exhibit 9.4).¹
 - For covered workers with coinsurance rather than copayments for prescription drugs, coinsurance levels average 20% for generic drugs, 25% for preferred drugs, and 33% for nonpreferred drugs (Exhibit 9.5).²

NOTE:

¹ The average copayments for generic, preferred, and nonpreferred drugs are calculated by combining the weighted average copayments for those types of drugs among firms with a single copayment amount or a multi-tier cost-sharing structure. Because in some cases drugs covered as fourth-tier drugs may be covered by health plans through other portions of their coverage (e.g., as part of major medical coverage), the average copayment for fourth-tier drugs is calculated using information from only those plans that have a fourth-tier copayment amount.

² The average coinsurance rates for generic, preferred, and nonpreferred drugs are calculated by combining the weighted average coinsurance for those types of drugs among firms with a single coinsurance amount or a multi-tier cost-sharing structure. Because in some cases drugs covered as fourth-tier drugs may be covered by health plans through other portions of their coverage (e.g., as part of major medical coverage), the average coinsurance for fourth-tier drugs is calculated using information from only those plans that have a fourth-tier coinsurance amount.

- Covered workers in HDHP/SOs are more likely to have coinsurance for generic, preferred, and nonpreferred drugs than workers covered by other plan types (Exhibit 9.3).
- Covered workers in small firms (3–199 workers) are more likely to have copayments than coinsurance for generic, preferred, and nonpreferred drugs than are workers in large firms (200 or more workers)—for example, 94% versus 81% for generics.

Generic drugs: A drug product that is no longer covered by patent protection and thus may be produced and/or distributed by multiple drug companies.

Preferred drugs: Drugs included on a formulary or preferred drug list; for example, a brand name drug without a generic substitute.

Nonpreferred drugs: Drugs not included on a formulary or preferred drug list; for example, a brand name drug with a generic substitute.

Brand name drugs: Generally, a drug product that is covered by a patent and is thus manufactured and sold exclusively by one firm. Cross-licensing occasionally occurs, allowing an additional firm to market the drug. After the patent expires, multiple firms can produce the drug product, but the brand name or trademark remains with the original manufacturer's product.

Fourth-tier drugs: New types of cost-sharing arrangements that typically build additional layers of higher copayments or coinsurance for specifically identified types of drugs, such as lifestyle drugs or biologics.

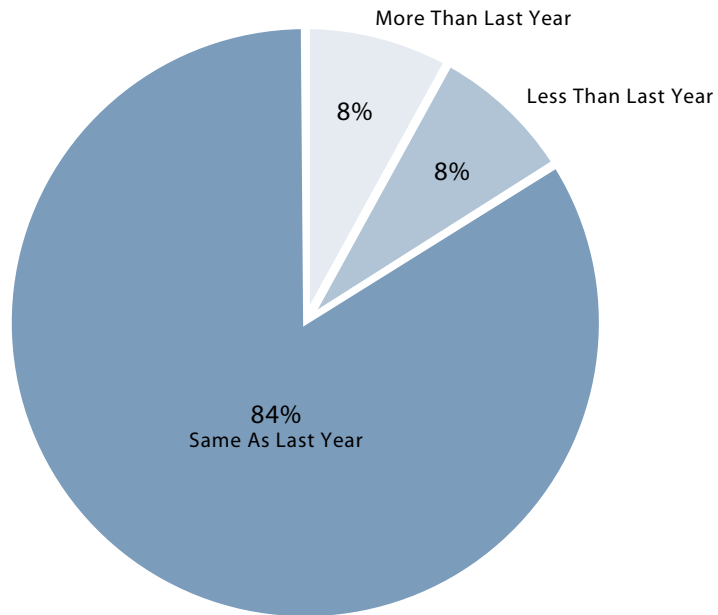
- ▶ Five percent of covered workers are in a plan that has a fourth tier of cost sharing for prescription drugs (Exhibit 9.2). Some plans use these fourth tiers for lifestyle drugs or expensive biologics. For covered workers in plans with four cost-sharing tiers, 46% face a copayment for fourth-tier drugs and 42% face coinsurance (Exhibit 9.3).
- The average copayment for fourth-tier drugs is \$63 (Exhibit 9.4). The average coinsurance amount for fourth-tier drugs is 42% (Exhibit 9.5).

MENTAL HEALTH BENEFITS

- ▶ Nearly all covered workers (97%) have coverage for mental health benefits in 2006. However, limits on the number of visits for outpatient care and the number of days for inpatient care remain common features of all plan types.
- Thirteen percent of covered workers have coverage for an unlimited number of outpatient mental health visits. Sixty-five percent of covered workers are in plans that provide for 30 or fewer outpatient mental health visits in a year (Exhibit 9.6). Workers in small firms (3–199 workers) are far more likely to have limitations on coverage than are workers in large firms (200 or more workers): 57% in small firms are limited to 20 or fewer outpatient visits per year, compared with just 23% of workers in large firms.
- Fifteen percent of covered workers have coverage for an unlimited number of days for inpatient mental health care. Sixty-five percent of covered workers face an inpatient limit of 30 or fewer days (Exhibit 9.7). Again, workers in small firms are far more likely to face substantial restrictions on coverage than are workers in large firms, with 19% in small firms being limited to 10 days or fewer of inpatient mental health coverage per year, compared with 4% in large firms.

EXHIBIT 9.1

Distribution of Covered Workers by a One-Year Change in Level of Health Benefits, Other Than Cost Sharing, 2006

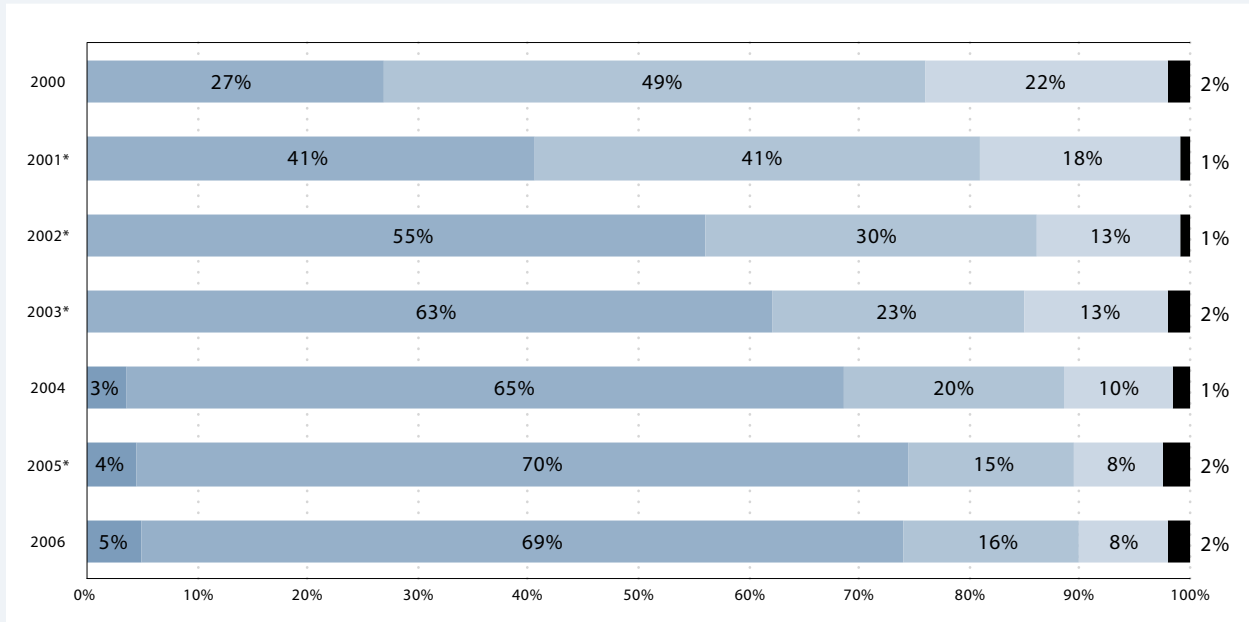


SOURCE:

Kaiser/HRET Survey of Employer Health Benefits, 2006.

EXHIBIT 9.2

Distribution of Covered Workers Facing Different Cost-Sharing Formulas for Prescription Drug Benefits, 2000–2006



SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2000–2006.

* Distribution is statistically different from distribution for the previous year shown at $p < .05$.
 No statistical tests are conducted between 2003 and 2004 due to the addition of a new category.

Note: Fourth-tier drug cost-sharing information was not obtained prior to 2004.

- FOUR-TIER
- THREE-TIER
- TWO-TIER
- PAYMENT IS THE SAME REGARDLESS OF TYPE OF DRUG
- OTHER

EXHIBIT 9.3

Distribution of Covered Workers With the Following Types of Cost Sharing for Prescription Drugs, by Drug and Plan Type, 2006

	Copay Only	Coinsurance Only	Both Copay and Coinsurance [‡]	Neither
Generic Drugs				
HMO*	93%	4%	1%	2%
PPO*	83	13	3	1
POS*	95	3	1	1
HDHP/SO*	49	34	2	15
ALL PLANS	86%	10%	3%	1%
Preferred Drugs				
HMO*	92%	5%	2%	1%
PPO*	78	16	5	<1
POS*	93	3	3	1
HDHP/SO*	47	35	3	14
ALL PLANS	82%	13%	4%	1%
Nonpreferred Drugs				
HMO*	91%	6%	1%	1%
PPO*	75	19	6	1
POS*	88	6	5	1
HDHP/SO*	40	42	3	14
ALL PLANS	79%	15%	5%	1%
Fourth-Tier Drugs				
HMO	NSD	NSD	NSD	NSD
PPO	38	49	2	11
POS	NSD	NSD	NSD	NSD
HDHP/SO	NSD	NSD	NSD	NSD
ALL PLANS	46%	42%	1%	11%

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2006.

* Distribution is statistically different from All Plans distribution within a drug type at $p < .05$.

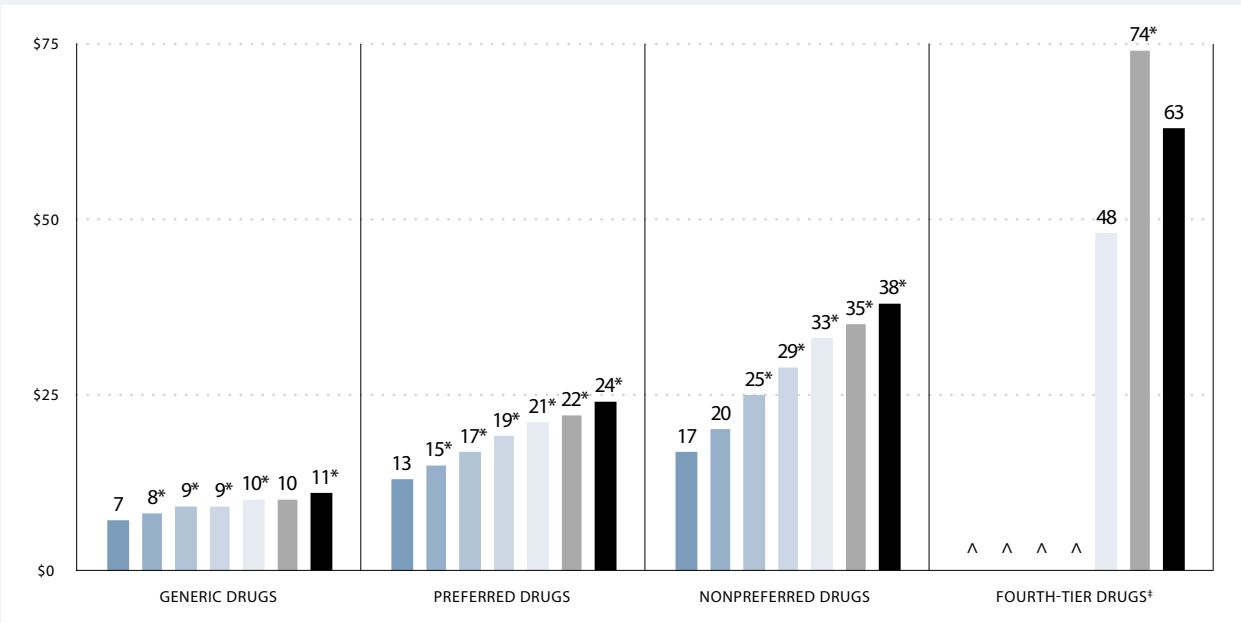
[‡] This includes enrollees who are required to pay the higher amount of either the copayment or coinsurance under the plan.

NSD: Not Sufficient Data.

Note: For definitions of Generic, Preferred, Nonpreferred, and Fourth-Tier Drugs, see the introduction to Section 9.

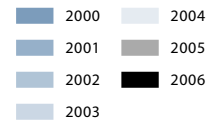
EXHIBIT 9.4

Among Covered Workers Facing Prescription Drug Copayments, Average Copayments, 2000–2006



SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2000–2006.



* Estimate is statistically different from estimate for the previous year shown at $p < .05$.

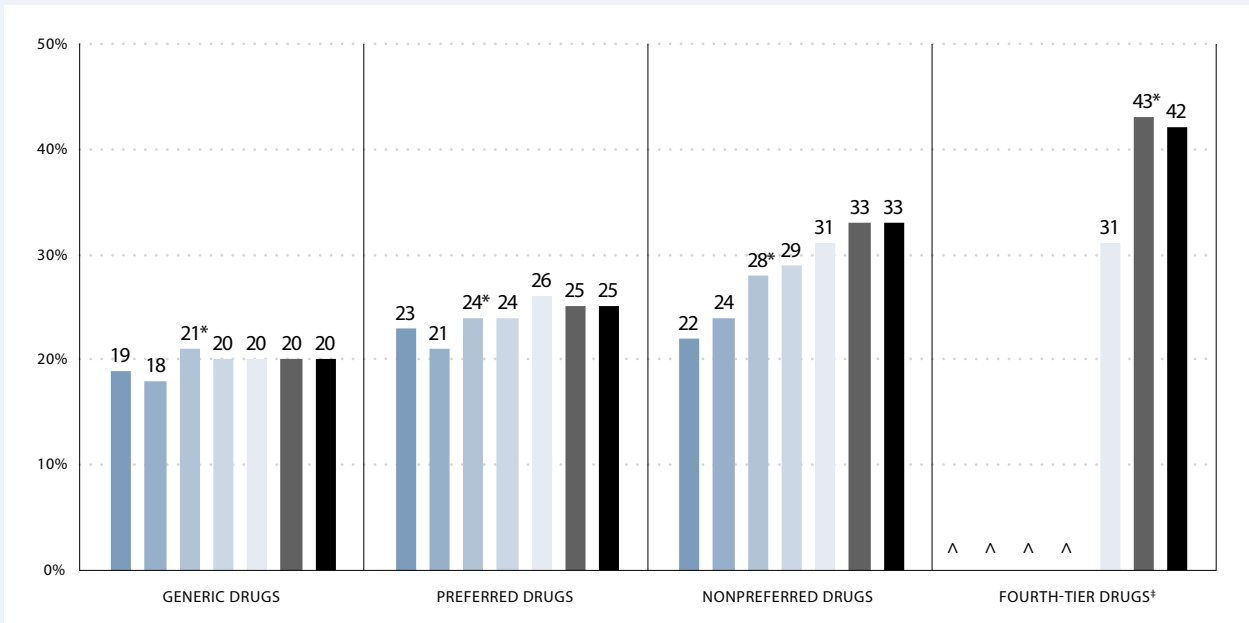
^ Fourth-Tier drug copay information was not obtained prior to 2004.

[‡] The average copayments for preferred and nonpreferred drugs include values for firms where cost sharing is the same regardless of drug type. Because in some cases drugs covered as fourth-tier drugs may be covered by health plans through other portions of their coverage (e.g., as part of major medical coverage), the average copayment for fourth-tier drugs is calculated using information from only those plans that have a fourth-tier copayment amount.

Note: For definitions of Generic, Preferred, Nonpreferred, and Fourth-Tier drugs, see the introduction to Section 9. Averages do not include covered workers who do not have a copayment for prescription drugs. In some cases, average copayments round to the same whole dollar amount, though they are statistically significant. For instance, average copayments for generic drugs are \$7.44 in 2000, \$8.09 in 2001, \$8.78 in 2002, \$9.48 in 2003, \$10.47 in 2004, \$10.38 in 2005, and \$11.01 in 2006.

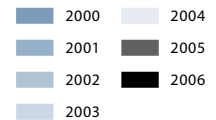
EXHIBIT 9.5

Among Covered Workers Facing Coinsurance for Prescription Drugs, Average Coinsurance, 2000–2006



SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2000–2006.



* Estimate is statistically different from estimate for the previous year shown at $p < .05$.

^ Fourth-Tier drug coinsurance information was not obtained prior to 2004.

[‡] The average coinsurance for preferred and nonpreferred drugs include values for firms where cost sharing is the same regardless of drug type. Because in some cases drugs covered as fourth-tier drugs may be covered by health plans through other portions of their coverage (e.g., as part of major medical coverage), the average coinsurance for fourth-tier drugs is calculated using information from only those plans that have a fourth-tier coinsurance amount.

Note: For definitions of Generic, Preferred, Nonpreferred, and Fourth-Tier drugs, see the introduction to Section 9. Averages do not include covered workers who do not have a coinsurance for prescription drugs.

EXHIBIT 9.6

Among Covered Workers with Outpatient Mental Health Coverage, Distribution of Number of Annual Outpatient Visits Covered, by Plan Type, 2006

	20 Visits or Less	21 to 30 Visits	31 to 50 Visits	More Than 50 Visits	No Limit
HMO*	41%	28%	8%	8%	14%
PPO	31	31	16	9	14
POS*	52	25	8	6	9
HDHP/SO*	44	26	10	13	7
ALL PLANS	35%	30%	14%	8%	13%

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2006.

* Distribution is statistically different from All Plans distribution at $p < .05$.

Note: Distribution is among covered workers with outpatient mental health coverage. Three percent of covered workers do not have outpatient mental health coverage in 2006.

EXHIBIT 9.7

Among Covered Workers with Inpatient Mental Health Coverage, Distribution of Number of Annual Inpatient Days Covered, by Plan Type, 2006

	10 Days or Less	11 to 20 Days	21 to 30 Days	31 or More Days	No Limit
HMO	8%	12%	48%	17%	14%
PPO	8	12	43	21	16
POS*	20	12	34	17	17
HDHP/SO*	8	19	52	12	8
ALL PLANS	10%	12%	44%	19%	15%

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2006.

* Distribution is statistically different from All Plans distribution at $p < .05$.

Note: Distribution is among covered workers with inpatient mental health coverage. Three percent of covered workers do not have inpatient mental health coverage in 2006.