



**How Do Patterns of Prescription Drug Coverage and Use  
Differ for White, African American, and Latino  
Medicare Beneficiaries Under 65 and 65+?**

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## Preface

As policy makers continue to work to enact a Medicare drug benefit, it is helpful to understand how beneficiaries vary in their needs and patterns of prescription drug coverage and use. This chartpack provides a snapshot of racial/ethnic differences in Medicare beneficiaries' prescription drug coverage, use, and spending. It examines patterns separately for beneficiaries under age 65 who qualify for Medicare on the basis of a disability and for elderly beneficiaries who are age 65 or older. The summary briefly discusses the relevance of some of the key findings to the current policy debates about drug coverage.

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# **Section I: Overview of Population**

## Section I: Overview of Population

- African Americans and Latinos make up 29% of Medicare's under-65 disabled beneficiaries and 15% of Medicare's elderly beneficiaries ages 65 and older. (*Figure 1*)

### Under-65 Disabled Beneficiaries (*Figures 2,3,4*)

- Beneficiaries under 65, across all racial/ethnic groups, have very limited financial means. In 1999, 45% of whites, 67% of African Americans, and 63% of Latinos had incomes below the federal poverty level (\$7,990 for an individual 65+ and 10,070 for a couple).
- The vast majority of under-65 disabled beneficiaries live in urban areas. Latinos, however, are more heavily concentrated in urban areas than African Americans or whites.
- Self-reported rates of diabetes and hypertension are higher among African Americans and Latinos than whites.
- Roughly 40% of under-65 beneficiaries of each racial/ethnic group report having a mental disorder compared with less than 10% of elderly beneficiaries.

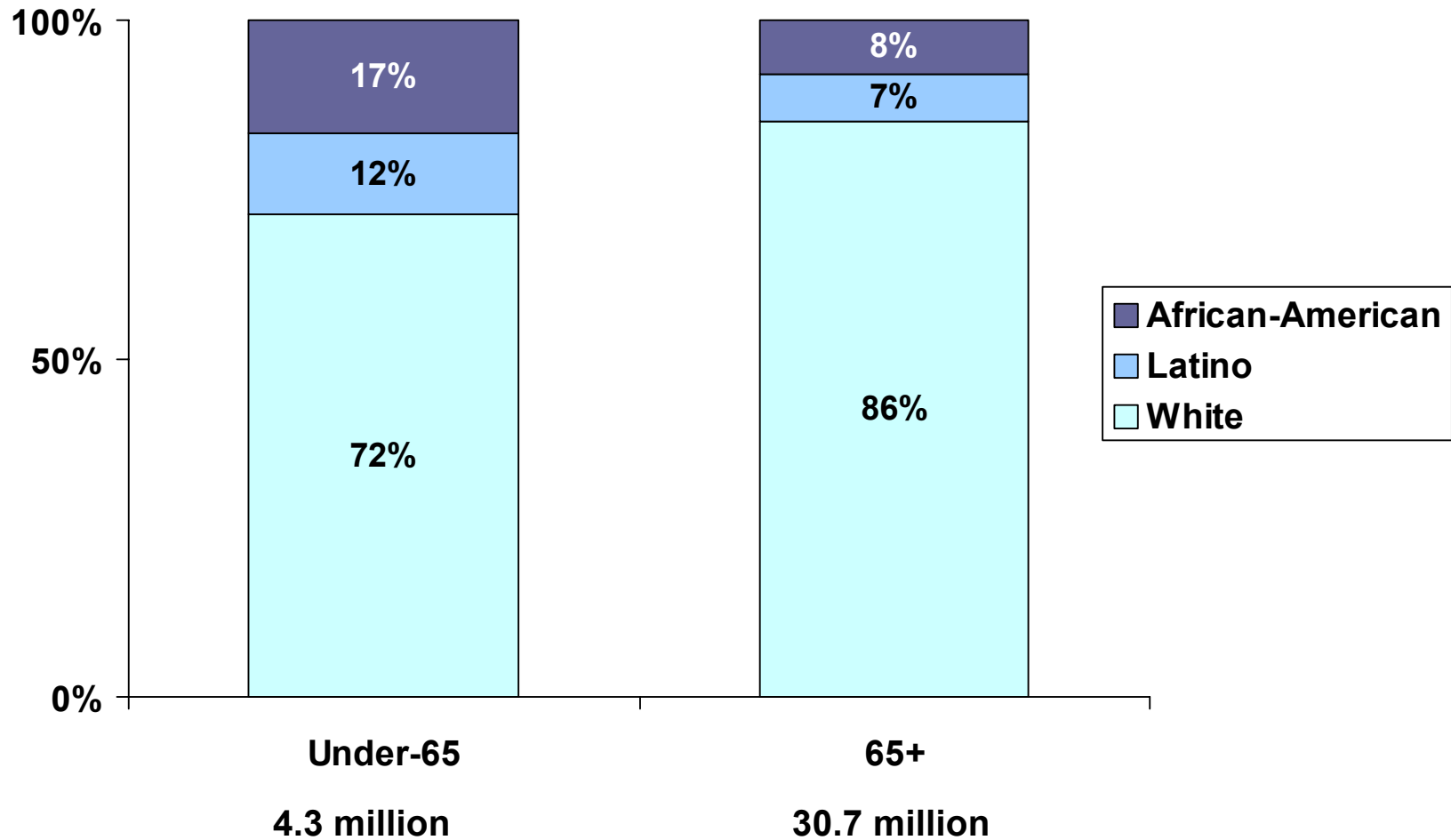
### Elderly beneficiaries 65+ (*Figures 2,3,5*)

- Minority elderly beneficiaries are considerably poorer than white beneficiaries. In 1999, 46% of African American and 55% of Latino beneficiaries had incomes below the federal poverty level compared with 15% of white beneficiaries.
- As with under-65 disabled beneficiaries, the vast majority of white, African American, and Latino elderly beneficiaries live in urban areas.
- Self-reported rates of specific chronic conditions vary by race/ethnicity. African Americans and Latinos report higher hypertension and diabetes rates than whites, but lower rates of heart disease than whites.



Figure 1

# Profile of White, African-American, and Latino Medicare Beneficiaries: Under-65 Disabled and Age 65+, 1999



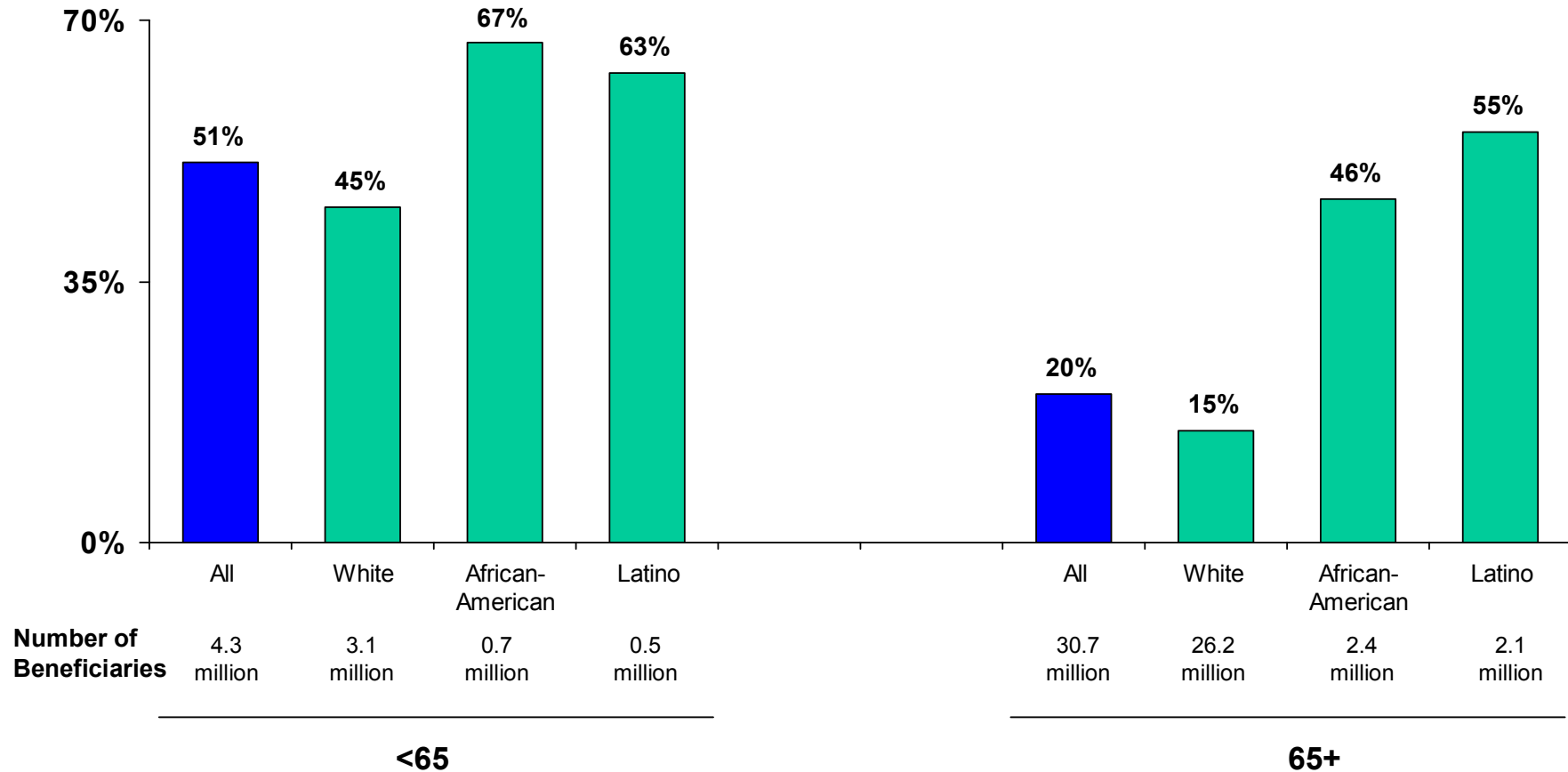
Note: Excludes institutionalized beneficiaries and those with ESRD entitlement. Totals may not add up to 100% due to rounding.

Source: Gaskin/Briesacher analysis of 1999 Medicare Current Beneficiary Survey, Cost and Use File.



Figure 2

## Percent of Medicare Beneficiaries Below Poverty<sup>a</sup>, by Race/Ethnicity and Age, 1999



Note: Excludes institutionalized beneficiaries and those with ESRD entitlement.

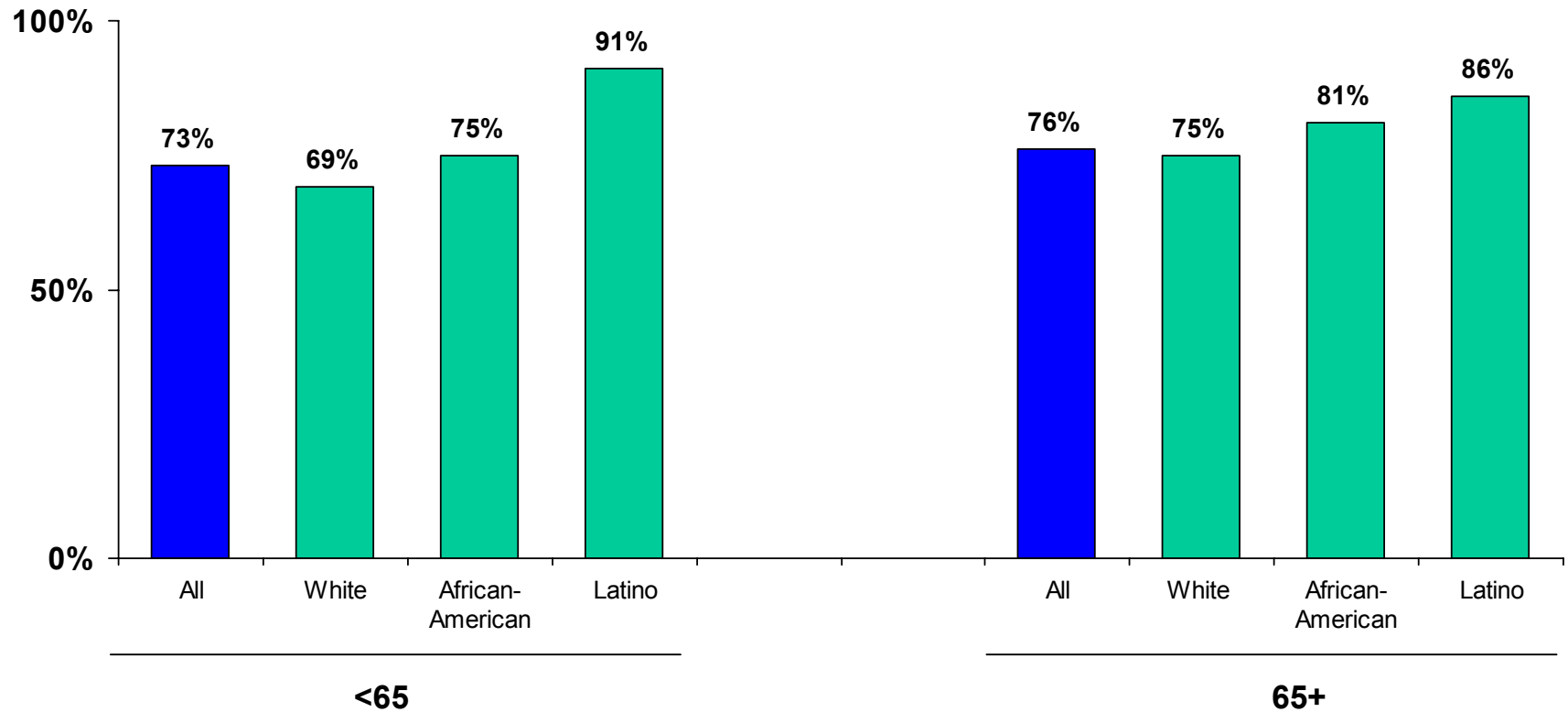
<sup>a</sup> In 1999, the federal poverty level was \$7,990 for an individual 65+ and \$10,070 for a couple. This analysis relies on MCBS income definitions, which include income from individual and spouse, but unlike census, excludes income from others in the household.

Source: Gaskin/Briesacher analysis of 1999 Medicare Current Beneficiary Survey, Cost and Use File.



Figure 3

## Percent of Medicare Beneficiaries Living in Urban Areas, by Race/Ethnicity and Age, 1999



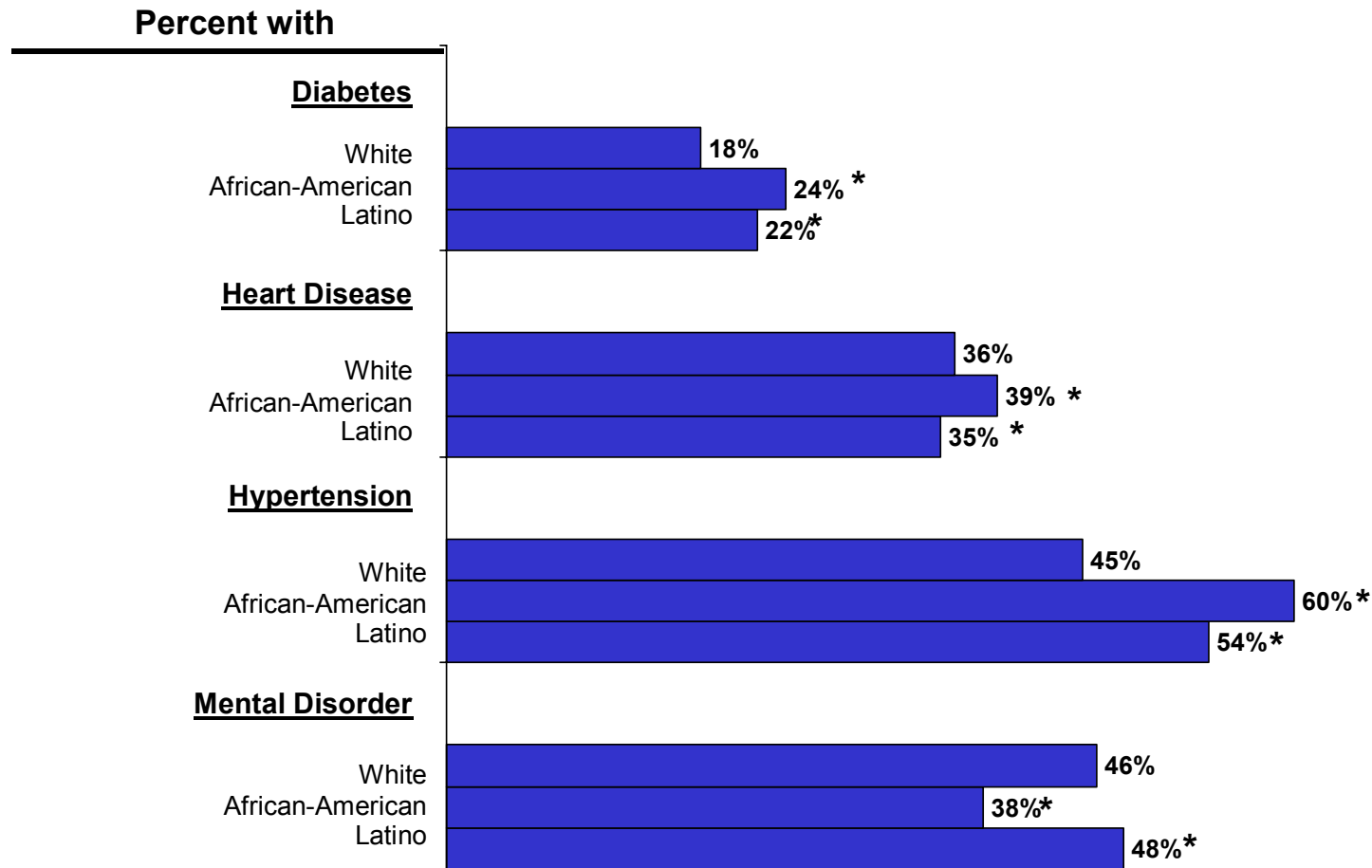
Note: Excludes institutionalized beneficiaries and those with ESRD entitlement.

Source: Gaskin/Briesacher analysis of 1999 Medicare Current Beneficiary Survey, Cost and Use File.



Figure 4

# Percent with Selected Self-Reported Chronic Conditions: Under-65 Medicare Beneficiaries, 1999



\* Significant at  $p < .05$ : African-Americans compared to whites; Hispanics compared to whites.

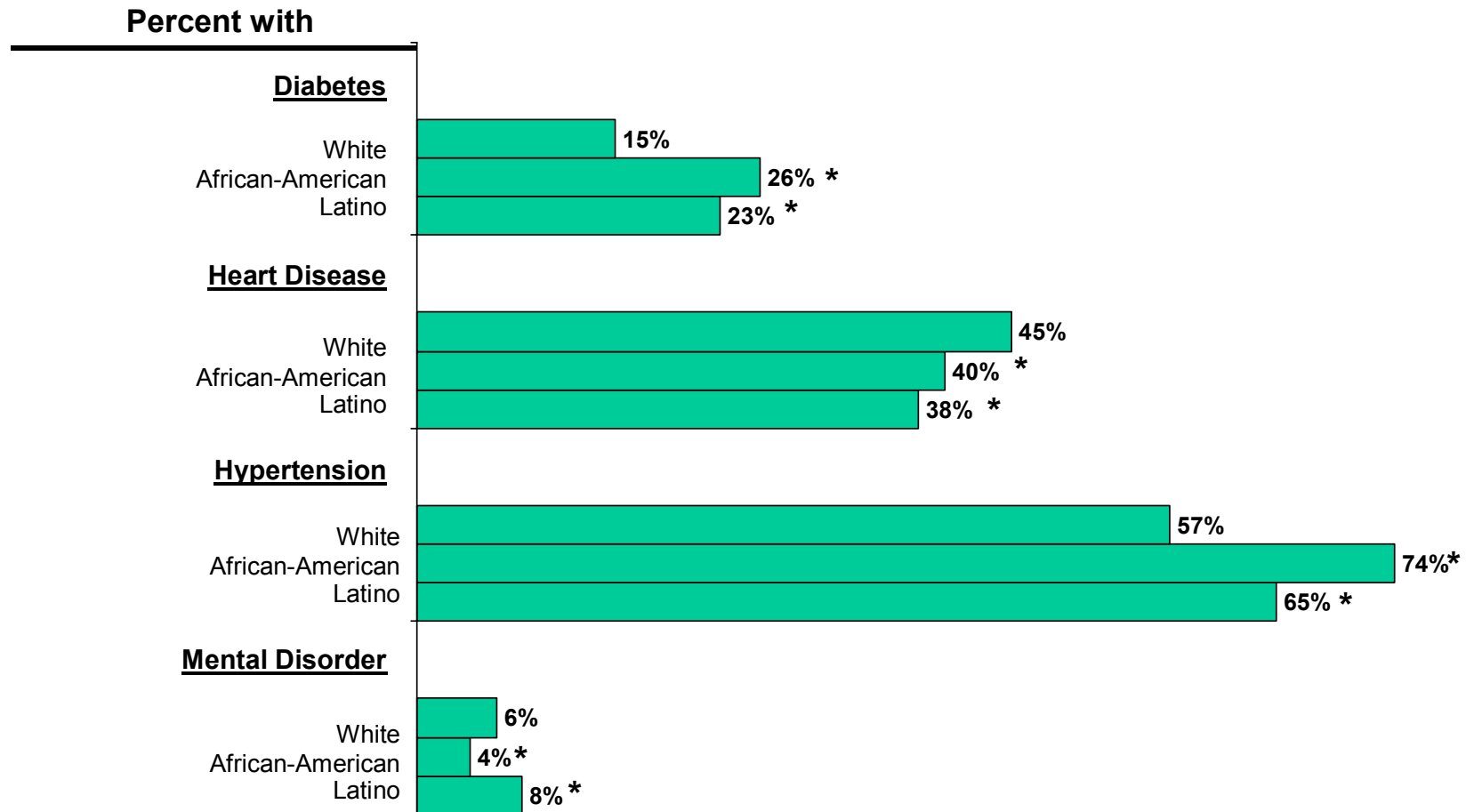
Note: Excludes institutionalized beneficiaries and those with ESRD entitlement.

Source: Gaskin/Briesacher analysis of 1999 Medicare Current Beneficiary Survey, Cost and Use File.



Figure 5

# Percent with Selected Self-Reported Chronic Conditions: Medicare Beneficiaries 65 +, 1999



\* Significant at  $p < .05$ : African-Americans compared to whites; Hispanics compared to whites.

Note: Excludes institutionalized beneficiaries and those with ESRD entitlement.

Source: Gaskin/Briesacher analysis of 1999 Medicare Current Beneficiary Survey, Cost and Use File.



# **Section II: Prescription Drug Coverage**

## Section II: Sources of Prescription Drug Coverage

### Under-65 Disabled Beneficiaries (Figure 6)

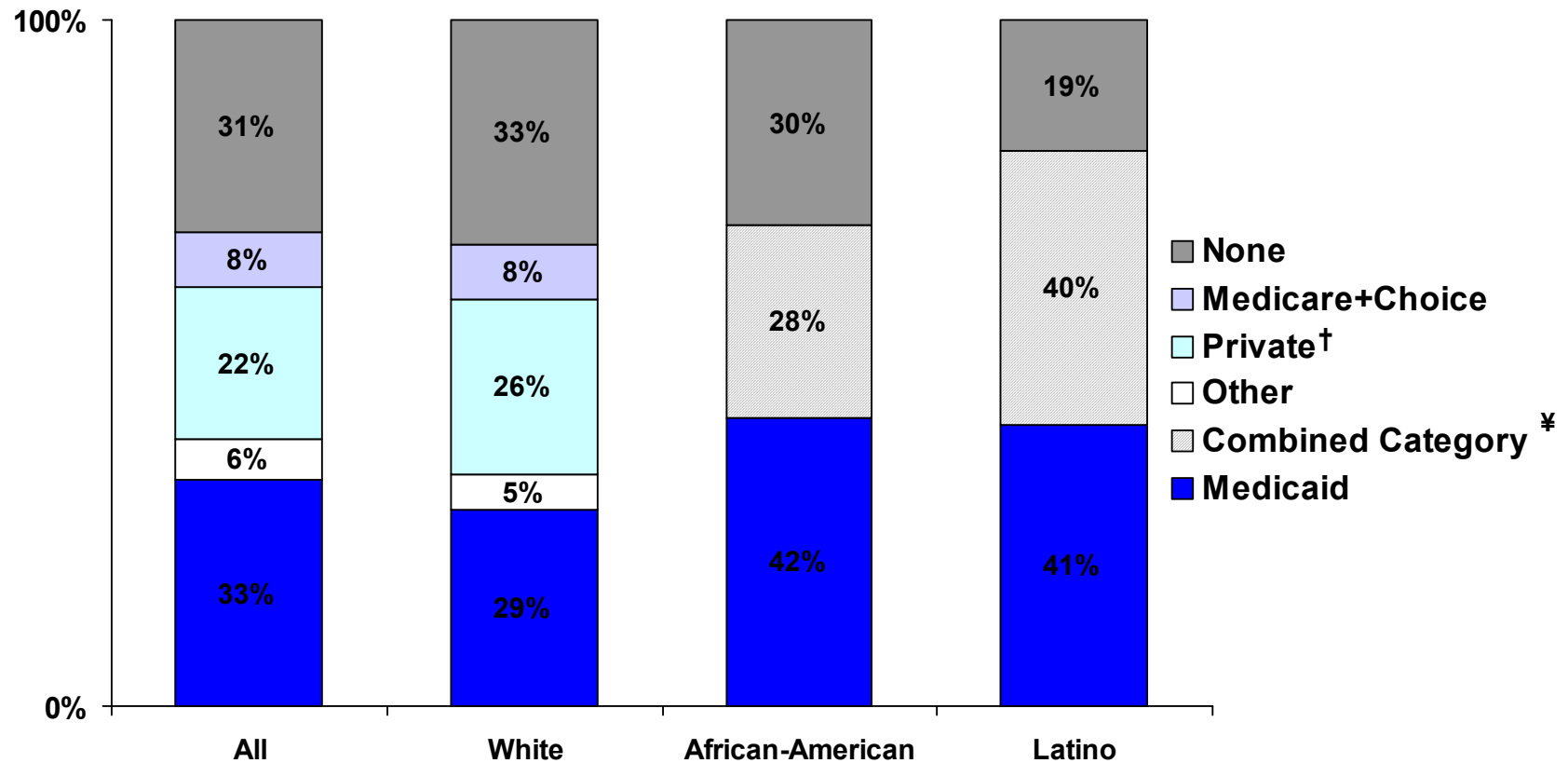
- About 3 in 10 under-65 disabled beneficiaries lacked coverage in June 1999.
- A smaller percentage of under-65 Latino beneficiaries lacked drug coverage than whites (19% vs. 33%). This may be related to higher rates of Medicaid and Medicare HMO enrollment among Latino beneficiaries.
- Medicaid was the leading source of drug coverage for under-65 disabled beneficiaries across racial/ethnic groups. In June 1999, 42% of African American, 41% of Latino, and 29% of white under-65 beneficiaries had drug coverage through Medicaid.

### Elderly beneficiaries 65+ (Figure 7)

- Nearly 4 in 10 beneficiaries 65+ lacked coverage in June 1999.
- African American and Latino elderly beneficiaries were more likely to have drug coverage than whites but substantially less likely to have private supplemental drug coverage such as employer-sponsored retiree health benefits or privately purchased Medigap.
- African American and Latino beneficiaries were more likely to be enrolled in Medicare HMOs, or Medicare+Choice (M+C) plans than whites. In June 1999, 17% of African Americans, and 20% of Latinos 65+ were enrolled in M+C plans. In comparison, 15% of whites 65+ were enrolled in M+C plans.
- Medicaid plays a critically important role in assisting low-income minority elderly beneficiaries with drug costs. In June 1999, about a quarter of African American (24%) and Latino (29%) elderly beneficiaries compared with 4% of elderly white beneficiaries had drug coverage through Medicaid.

Figure 6

## Sources of Prescription Drug Coverage: Under-65 Medicare Beneficiaries, June 1999



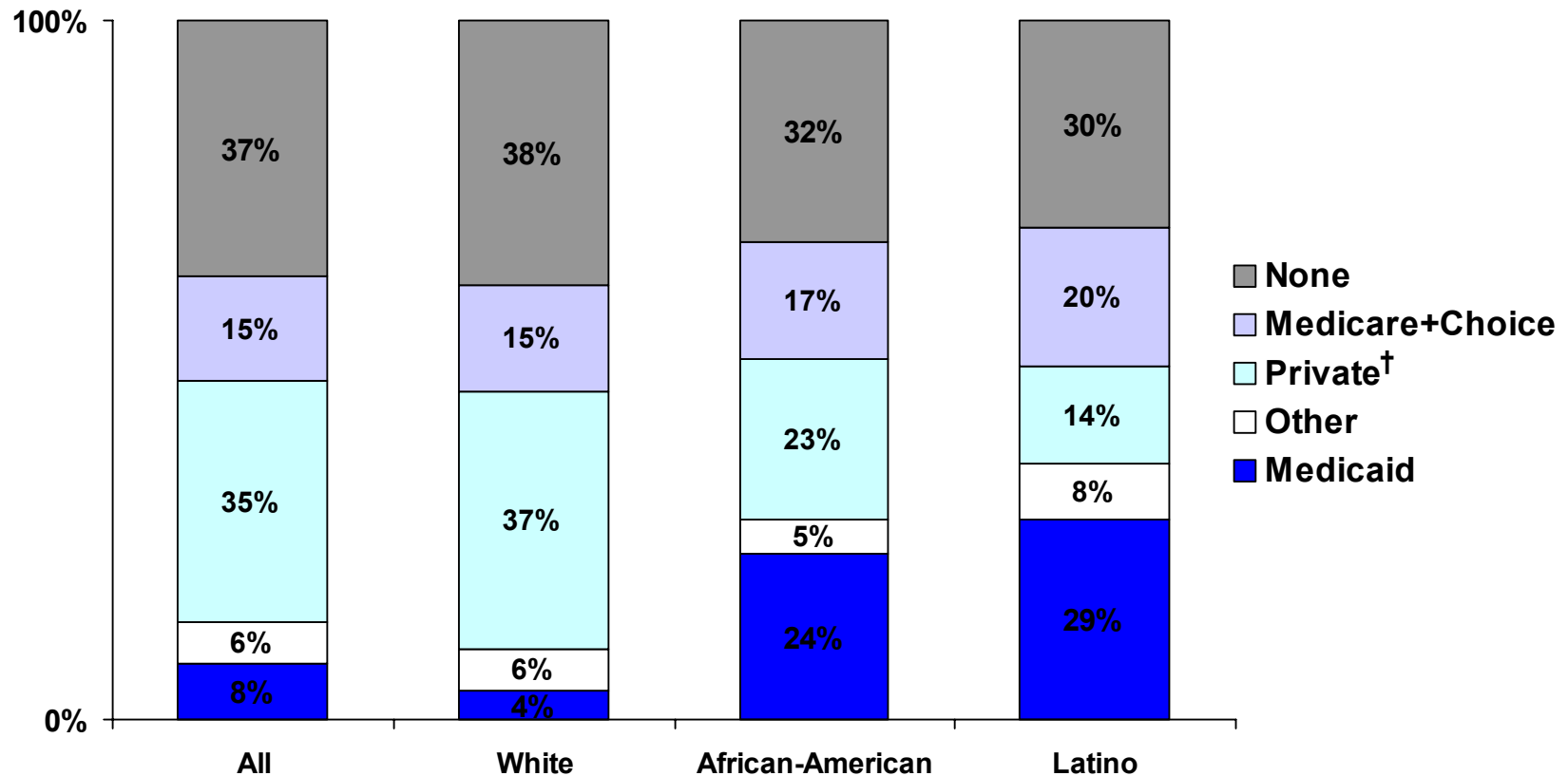
Note: Excludes institutionalized beneficiaries and those with ESRD entitlement. Includes beneficiaries under-65 qualified under SSDI. Categories are mutually exclusive. Individuals were categorized based on the following hierarchy: Medicare HMO, Medicaid, employer-sponsored, Medigap, other public and unknown source, and no coverage. † Private includes employer-sponsored and Medigap. ‡ Combined category includes Medicare+Choice, Private and Other coverage. Sample sizes were too small for reliable estimates of these coverage groups.

Source: Gaskin/Briesacher analysis of 1999 Medicare Current Beneficiary Survey, Cost and Use File.



Figure 7

## Sources of Prescription Drug Coverage: Medicare Beneficiaries 65+, June 1999



Note: Excludes institutionalized beneficiaries and those with ESRD entitlement. Categories are mutually exclusive. Individuals were categorized based on the following hierarchy: Medicare HMO, Medicaid, employer-sponsored, Medigap, other public and unknown source, and no coverage. † Private includes employer-sponsored and Medigap. Source: Gaskin/Briesacher analysis of 1999 Medicare Current Beneficiary Survey, Cost and Use File.



**Section III:  
Prescription Drug  
Use and Spending**

### Section III: Prescription Drug Use and Spending

#### Under-65 Disabled Beneficiaries (Figures 8,9)

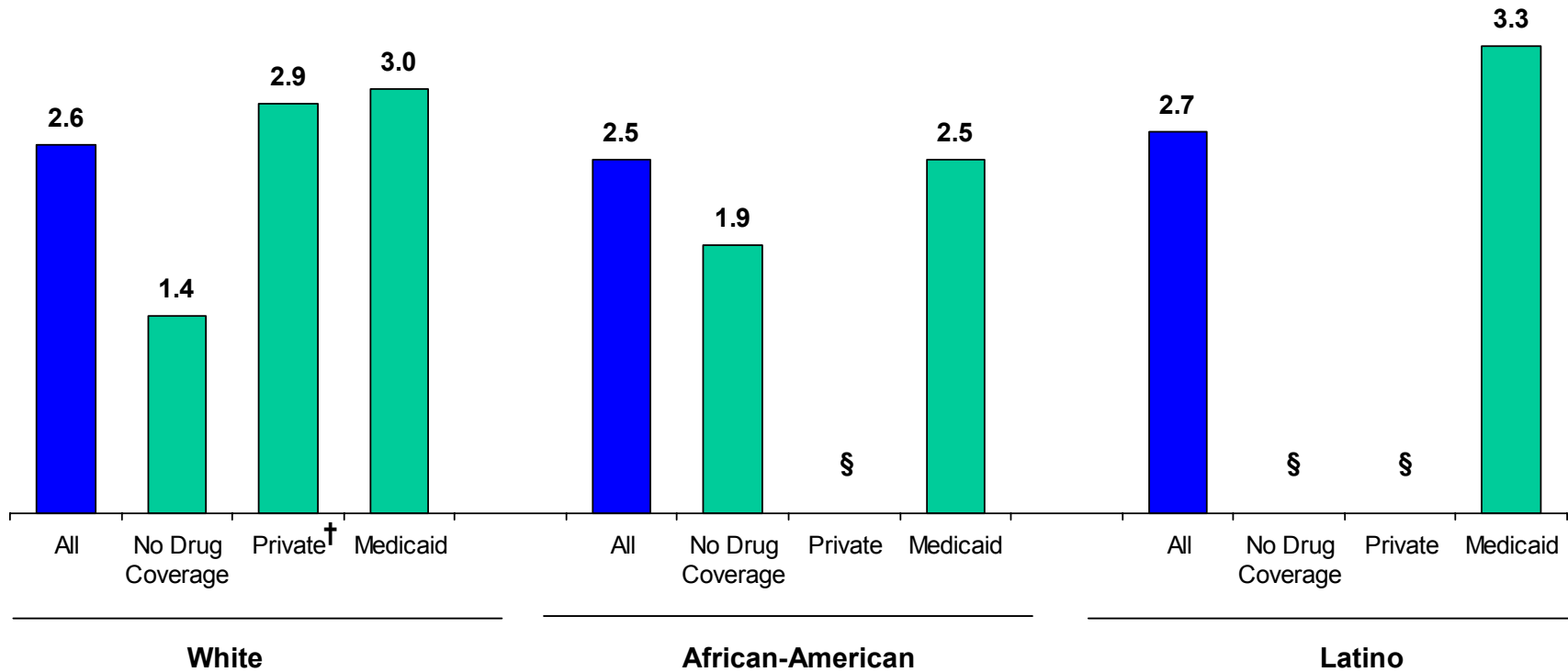
- On average, white, African American and Latino under-65 disabled beneficiaries filled close to 3 prescriptions per month in 1999.
- Beneficiaries without coverage filled fewer prescriptions per year than beneficiaries with drug coverage but had higher out-of-pocket drug spending.
- In 1999, Latinos had lower annual average out-of-pocket drug spending than African Americans or whites (\$327, \$404, \$455, respectively) but similar patterns of prescription drug use. Higher rates of enrollment in Medicaid and in Medicare HMOs or differences in the types of drugs used by Latinos may explain the lower out-of-pocket spending.

#### Elderly beneficiaries 65+ (Figures 10,11)

- Beneficiaries 65+ filled on average close to 2 prescriptions per month. Prescription drug use was similar for white, African American, and Latino beneficiaries.
- As with the under-65 beneficiaries, elderly beneficiaries lacking drug coverage filled fewer prescriptions than those with coverage but had higher out-of-pocket drug spending. This pattern holds true for white, African American, and Latino beneficiaries. African American and Latino Medicare beneficiaries who also had Medicaid coverage (i.e., persons dually enrolled) had lower out-of-pocket drug spending than their white counterparts.
- In 1999, elderly African American and Latino Medicare beneficiaries had lower annual average out-of-pocket drug spending than whites (\$330, \$344, \$474, respectively), which may be due to higher Medicaid and HMO enrollment among minority beneficiaries or differences in the types of drugs used.

Figure 8

# Average Number of Prescriptions Filled Per Month by Selected Sources of Drug Coverage and Race/Ethnicity: Under-65 Disabled Medicare Beneficiaries, 1999



§ Sample size too small for reliable estimate.

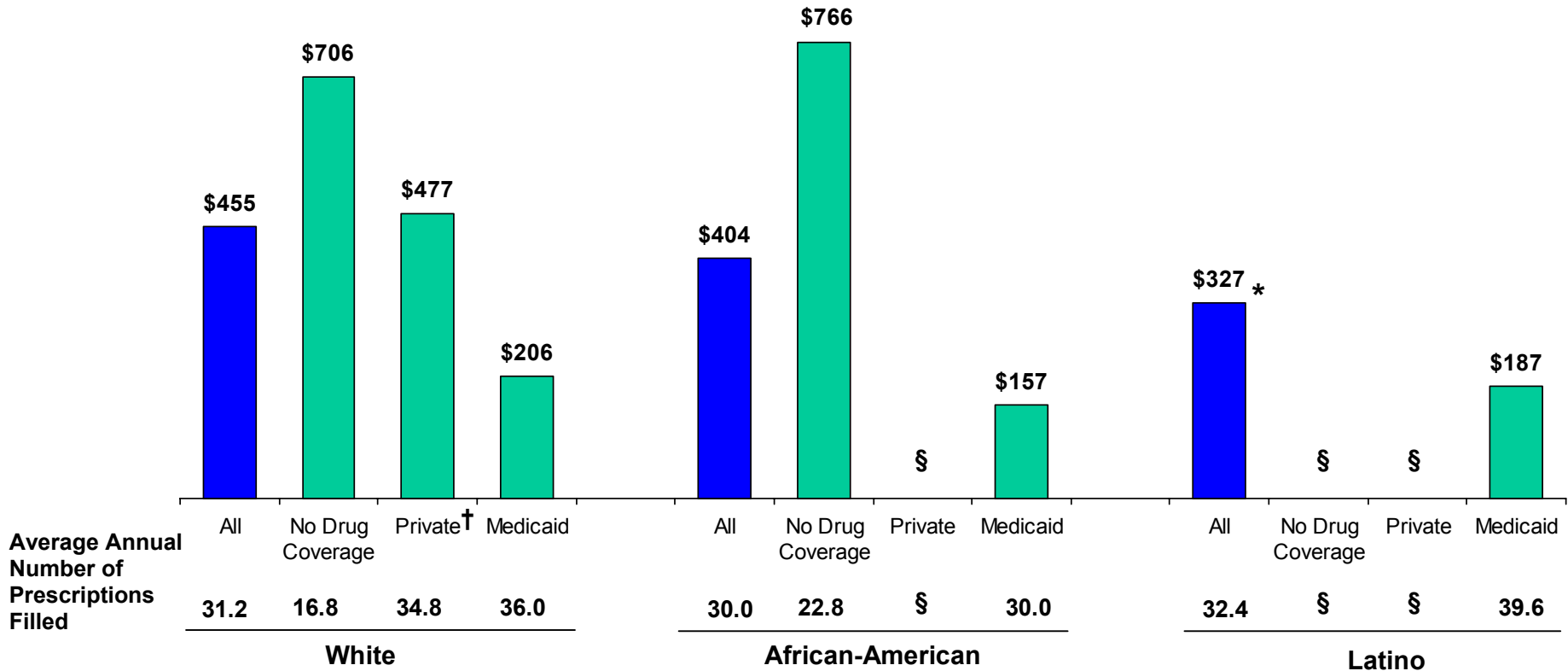
Note: Excludes institutionalized beneficiaries and those with ESRD entitlement. †Private coverage includes employer-sponsored and Medigap.

Source: Gaskin/Briesacher analysis of 1999 Medicare Current Beneficiary Survey, Cost and Use File.



Figure 9

# Annual Out-of-Pocket Spending for Prescription Drugs by Selected Sources of Drug Coverage and Race/Ethnicity: Under-65 Disabled Medicare Beneficiaries, 1999



\* Significant at p<.05: Latinos compared to whites.

§Sample size too small for reliable estimate.

Note: Excludes institutionalized beneficiaries and those with ESRD entitlement. Includes beneficiaries under-65 qualified under SSDI.

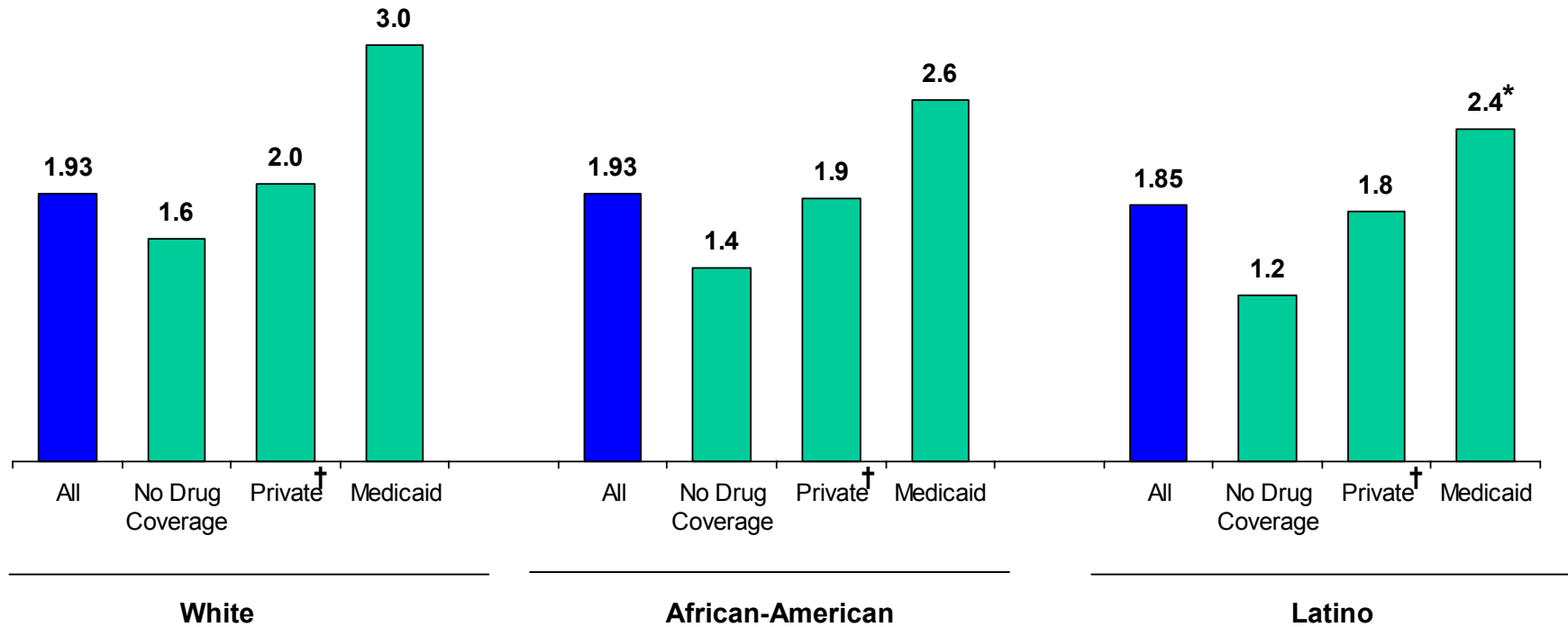
†Private coverage includes employer-sponsored and Medigap.

Source: Gaskin/Briesacher analysis of 1999 Medicare Current Beneficiary Survey, Cost and Use File.



Figure 10

# Average Number of Prescriptions Filled Per Month by Selected Sources of Drug Coverage and Race/Ethnicity: Medicare Beneficiaries 65+, 1999



\* Significantly different from whites with Medicaid.

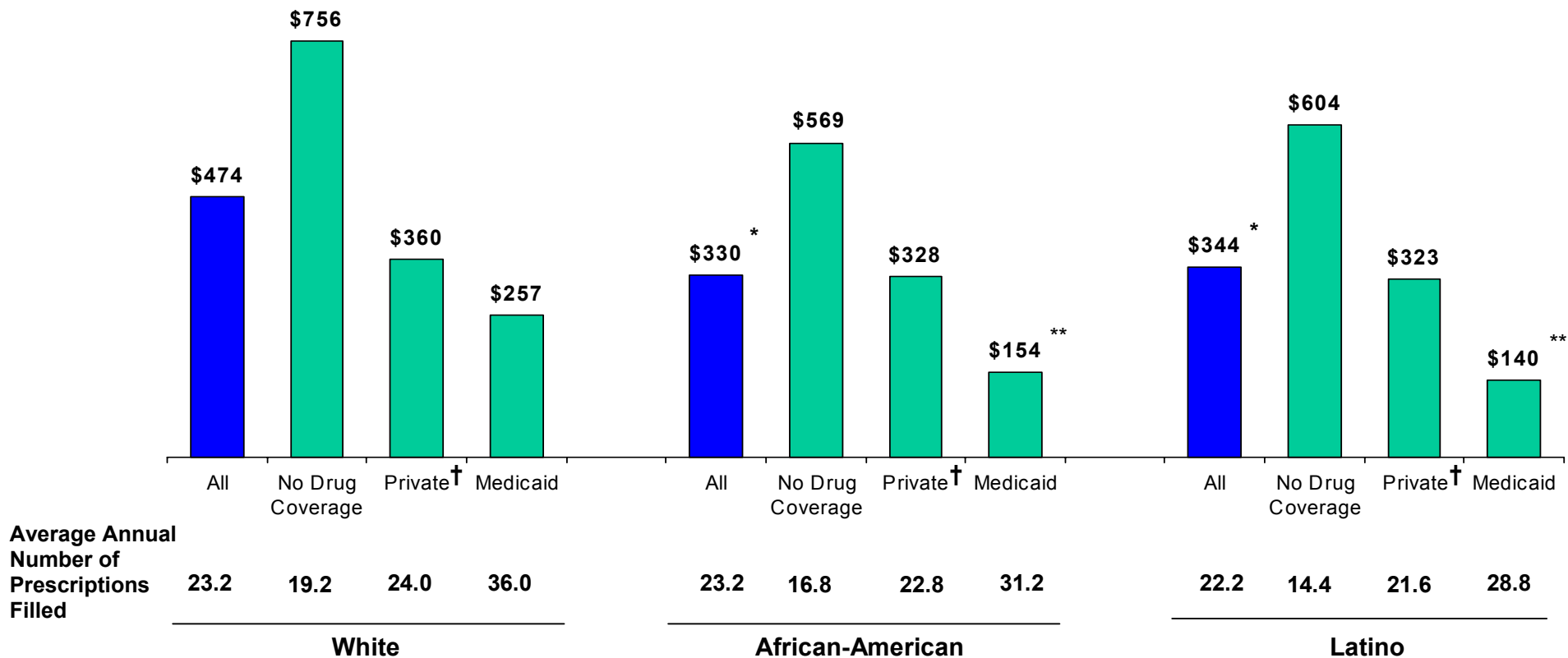
Note: Excludes institutionalized beneficiaries and those with ESRD entitlement. †Private coverage includes employer-sponsored and Medigap.

Source: Gaskin/Briesacher analysis of 1999 Medicare Current Beneficiary Survey, Cost and Use File.



Figure 11

# Annual Out-of-Pocket Spending for Prescription Drugs by Selected Sources of Drug Coverage and Race/Ethnicity: Medicare Beneficiaries 65+, 1999



\* Significant at p<.05: compared to whites

\*\* Significant p<.05: compared to whites with Medicaid.

Note: Excludes institutionalized beneficiaries and those with ESRD entitlement. Includes beneficiaries under-65 qualified under SSDI.

† Private coverage includes employer-sponsored and Medigap.

Source: Gaskin/Briesacher analysis of 1999 Medicare Current Beneficiary Survey, Cost and Use File.



## Section IV: Summary and Policy Considerations

Data presented in this chartpack identify a number of issues of relevance to proposals for a Medicare drug benefit. At least three sets of issues deserve priority attention in future discussions.

**First, lack of prescription drug coverage is an issue for all beneficiaries.** While the percent of beneficiaries lacking drug coverage varies from about 19% to 38% depending on the specific racial/ethnic and age group, the implications of not having coverage are similar for each group. Each racial/ethnic group lacking coverage filled fewer prescriptions and yet had higher out-of-pocket drug costs than their respective counterparts with drug coverage. This underutilization may adversely affect beneficiaries' health and ultimately increase their health care costs if needed care is delayed.

**Second, efforts to help low-income beneficiaries pay for and understand the options available in a prescription drug benefit will be critical.** Roughly half of elderly, as well as under-65 disabled, African American and Latino beneficiaries have incomes below the federal poverty level (\$7,990 for an individual and \$10,070 for a couple in 1999.). About 2 in 5 under-65 disabled beneficiaries also report having a mental disorder. Efforts will be needed to assure that the premium and cost sharing provisions of the new benefit are adequate to make drug coverage affordable to low-income beneficiaries and that information about the drug benefit is communicated using approaches for populations in which literacy, English language proficiency, and mental competency may be an issue.

**Finally, African American and Latino Medicare beneficiaries currently rely heavily on Medicaid and Medicare+Choice (M+C) for their sources of drug coverage and need greater stability and consistency in their coverage.** While Medicaid and M+C plans have been sources of prescription drug coverage that serve many in the low-income population well, they are not necessarily stable sources of coverage. In recent years, many states and M+C plans have been restricting drug benefits to reduce rising drug spending. Many minority beneficiaries are therefore vulnerable even though they currently have drug coverage. These findings suggest that current debates about drug coverage may also need to consider how to assure the adequacy and consistency of existing sources of drug benefits.



## Methods

Data for this chartpack were obtained from the 1999 Medicare Current Beneficiary Survey (MCBS) Cost and Use File. The MCBS, used to assist the Centers for Medicare and Medicaid Services (CMS) in the administration of the Medicare program, is a continuous survey of a nationally representative sample of more than 16,000 Medicare beneficiaries. The population for this study consisted of all elderly and under age 65 disabled Medicare beneficiaries living in the community. Excluded from this analysis are beneficiaries in an institutional setting and a small group of beneficiaries entitled only through end-stage renal disease.

This analysis was limited to whites, African Americans, and Latinos. The racial/ethnic categories are mutually exclusive groupings with all persons of Hispanic ancestry included among Latinos. The sample sizes for individuals who identified themselves as Asian/Pacific Islander, American Indian, or “other” were not sufficient for reliable population estimates of the measures under study. All analyses applied sampling weights to provide nationally representative population estimates.

The definitions of poverty and prescription drug coverage used in this chartpack are also worth noting:

- Poverty. The MCBS definition of poverty is based on the income of the individual and spouse. Unlike the U.S. Census Bureau, it excludes income from others in the household. This results in a larger population being defined as poor than what is reported by the U.S. Census.
- Drug Coverage. The chartpack includes two measures of prescription drug coverage: 1) an estimate of drug coverage in June 1999, and 2) an estimate of drug coverage throughout the entire year of 1999. The June 1999 data are helpful in estimating the number of beneficiaries lacking coverage or with a particular source of coverage at a point-in-time. Since beneficiaries may lose, shift, or find themselves between sources of coverage during the year, the point-in-time estimate gives a snapshot that helps assess how large or small the problem might be in any give time period. The full-year measure is used to assess patterns over time and can be linked to beneficiaries’ drug spending and use during a year. For both measures, beneficiaries with multiple sources of coverage were assigned to one primary source of coverage using the following hierarchy: Medicare HMO, Medicaid, employer-sponsored, Medigap, other public and unknown, and no coverage.



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