

EMPLOYER HEALTH BENEFITS

2012 ANNUAL SURVEY

Prescription
Drug Benefits

SECTION

9

PRESCRIPTION DRUG BENEFITS

ALMOST ALL COVERED WORKERS HAVE COVERAGE FOR PRESCRIPTION DRUGS. MORE THAN THREE IN FOUR COVERED WORKERS ARE IN PLANS WITH THREE OR MORE COST-SHARING TIERS FOR PRESCRIPTION DRUGS. COPAYMENTS RATHER THAN COINSURANCE CONTINUE TO BE THE DOMINANT FORM OF COSTSHARING FOR PRESCRIPTION DRUGS.

- ▶ As in prior years, nearly all (99%) covered workers in employer-sponsored plans have a prescription drug benefit.
- ▶ A large majority of covered workers (87%) in 2012 have a tiered cost-sharing formula for prescription drugs (Exhibit 9.1). Cost-sharing tiers generally refer to a health plan placing a drug on a formulary or preferred drug list, which classifies drugs as generic, preferred, or non-preferred. Over the past years, an increasing number of plans have created a fourth tier of drug cost sharing, which may be used for lifestyle drugs or expensive biologics.
- ▶ Seventy-eight percent of covered workers are enrolled in plans with three, four, or more tiers of cost sharing for prescription drugs, a similar percentage as the last two years (Exhibit 9.1).
 - HDHP/SOs have different cost-sharing patterns for prescription drugs than other plan types. Only 55% of covered workers in HDHP/SOs are in a plan with three or more tiers of cost sharing for prescription drugs; 19% are in plans that pay 100% of prescription costs once the plan deductible is met (Exhibit 9.2).
- ▶ Among workers covered by plans with three or more tiers of cost sharing for prescription drugs, a large majority face copayments rather than coinsurance (Exhibit 9.3). The percentages differ slightly across drug types because some plans have copayments for some drug tiers and coinsurance for other drug tiers.
 - For covered workers in plans with three, four, or more tiers of cost sharing for prescription drugs, the average drug copayments for first-tier drugs (\$10), second-tier drugs (\$29), third-tier drugs (\$51), and fourth-tier (\$79) are comparable to the amounts reported in

Generic drugs: Drug products that are 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.

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.

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.

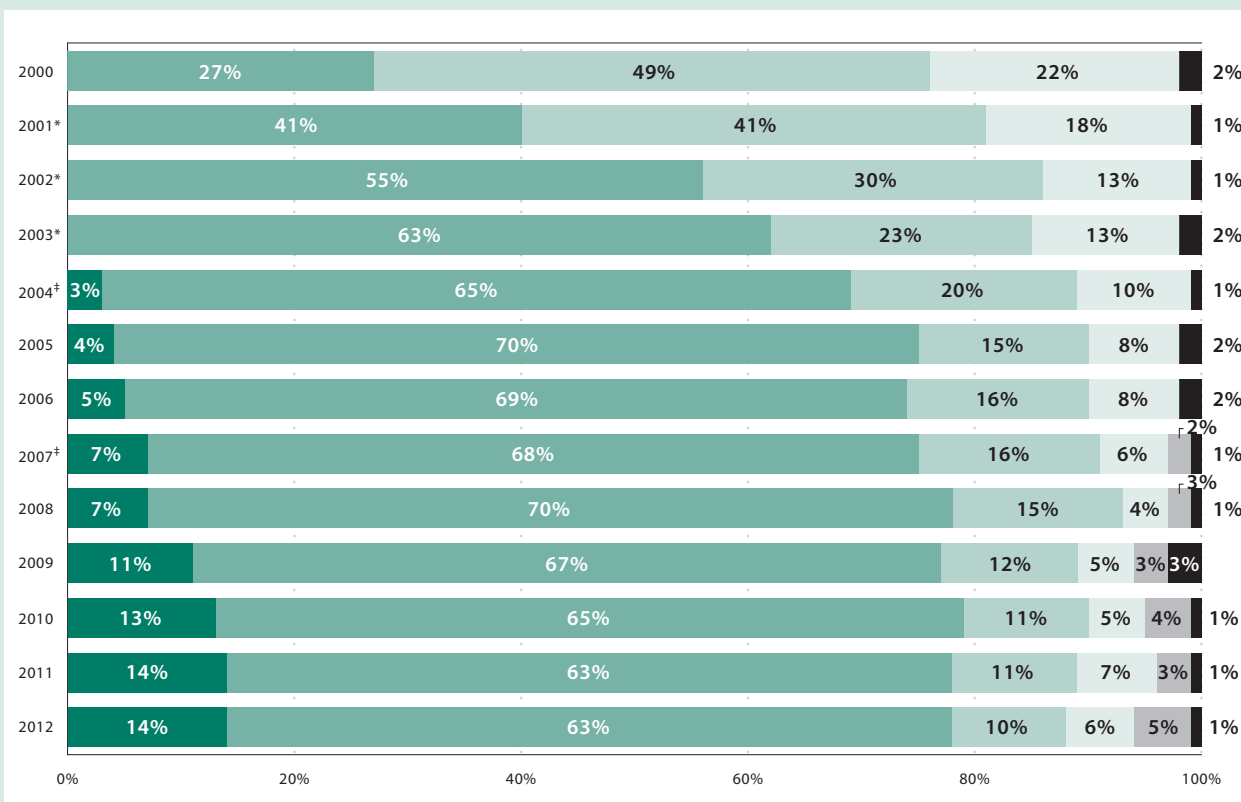
2011 (\$10, \$29, \$49, and \$91, respectively) (Exhibit 9.4).

- For covered workers in plans with three, four, or more tiers of cost sharing for prescription drugs who face coinsurance rather than copayments, coinsurance levels average 20% for first-tier drugs, 26% for second-tier drugs, and 39% for third-tier drugs. All of the estimates are similar to last year except for the average coinsurance for first-tier drugs (20%) which is statistically different from 2011 (18%) (Exhibit 9.4).

- ▶ Fourteen percent of covered workers are in a plan that has four or more tiers of cost sharing for prescription drugs (Exhibit 9.1). For covered workers in plans with three or more cost-sharing tiers, 55% face a copayment for fourth-tier drugs and 36% face coinsurance (Exhibit 9.3).
 - The average copayment for a fourth-tier drug is \$79 and the average coinsurance is 32%. These amounts are not statistically different from the amounts reported in 2011 (Exhibit 9.4).
- ▶ Ten percent of covered workers are in a plan that has two tiers for prescription drug cost sharing (Exhibit 9.1). Similar to workers in plans with more cost-sharing tiers, copayments are more common than coinsurance for workers in plans with two tiers (Exhibit 9.5). The average copayment for the first tier is \$11, and the average copayment for the second tier is \$29. The average coinsurance rate for the second tier is 27% (Exhibit 9.6).
- ▶ Six percent of covered workers are covered by plans in which cost sharing is the same regardless of the type of drug chosen (Exhibit 9.1). Among these covered workers, 14% have copayments and 85% have coinsurance (Exhibit 9.7).
 - For those workers with the same cost sharing regardless of the type of drug, the average copayment is \$13 and the average coinsurance is 22% (Exhibit 9.8).
- ▶ Coinsurance rates for prescription drugs often have maximum or minimum dollar amounts associated with the coinsurance rate. Twenty-four percent of workers with a coinsurance rate have a maximum dollar amount attached to the coinsurance rate, 9% have a minimum, and 22% have both for first-tier drugs (Exhibit 9.9).
- ▶ Small percentages of covered workers are enrolled in plans in which they have a separate prescription drug deductible or annual out-of-pocket limit that applies to prescription drugs only.
 - Thirteen percent of covered workers with prescription drug coverage are in plans with a separate prescription drug deductible that is in addition to any general annual deductible the plan might have, similar to the 12% in 2009 (Exhibit 9.10). Seventeen percent of covered workers in PPOs have a separate drug deductible (Exhibit 9.10).
 - Of firms with an annual deductible for prescription drugs, 69% of covered workers are in plans where the deductible applies to every tier.
 - For those with a separate drug deductible, the average annual deductible amount is \$145.
 - Similarly, 11% of covered workers with coverage for prescription drugs are in plans with a separate prescription drug annual out-of-pocket limit (Exhibit 9.11), statistically unchanged from 2009.
 - For those with a separate prescription drug annual out of pocket limit, the average annual out-of-pocket limit is \$1,722.

EXHIBIT 9.1

Distribution of Covered Workers Facing Different Cost-Sharing Formulas for Prescription Drug Benefits, 2000–2012



SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2000–2012.

* Distribution is statistically different from distribution for the previous year shown ($p < .05$).

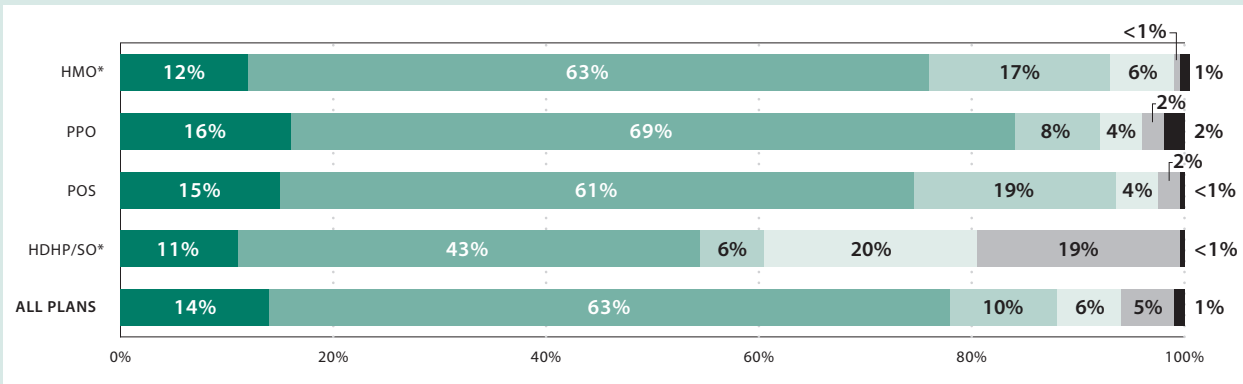
† No statistical tests are conducted between 2003 and 2004 or between 2006 and 2007 due to the addition of a new category.

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

- FOUR OR MORE TIERS
- THREE TIERS
- TWO TIERS
- PAYMENT IS THE SAME REGARDLESS OF TYPE OF DRUG
- NO COST SHARING AFTER DEDUCTIBLE IS MET
- OTHER

EXHIBIT 9.2

Distribution of Covered Workers Facing Different Cost-Sharing Formulas for Prescription Drug Benefits, by Plan Type, 2012



SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2012.

* Distribution is statistically different from All Plans distribution (p<.05).

- FOUR OR MORE TIERS
- THREE TIERS
- TWO TIERS
- PAYMENT IS THE SAME REGARDLESS OF TYPE OF DRUG
- NO COST SHARING AFTER DEDUCTIBLE IS MET
- OTHER

EXHIBIT 9.3

Among Workers with Three, Four, or More Tiers of Cost Sharing, Distribution of Covered Workers with the Following Types of Cost Sharing for Prescription Drugs, by Drug and Plan Type, 2012

First-Tier Drugs, Often Called Generic Drugs	Copay	Coinsurance [‡]	Plan Pays Entire Cost After Any Deductibles Are Met	Some Other Amount
HMO	92%	6%	1%	1%
PPO	86	11	1	2
POS	95	3	2	1
HDHP/SO	75	18	5	2
ALL PLANS	86%	11%	2%	2%
Second-Tier Drugs, Often Called Preferred Drugs			Copay or Coinsurance Plus Any Difference [§]	
HMO	87%	12%	<1%	1%
PPO	75	23	<1	2
POS	88	9	0	3
HDHP/SO	72	27	<1	2
ALL PLANS	77%	21%	<1%	2%
Third-Tier Drugs, Often Called Nonpreferred Drugs				
HMO	78%	18%	2%	2%
PPO	71	24	1	4
POS	86	12	0	3
HDHP/SO	65	32	<1	3
ALL PLANS	72%	24%	1%	3%
Fourth-Tier Drugs				
HMO	56%	43%	1%	<1%
PPO	57	31	1	11
POS	49	47	0	4
HDHP/SO	45	41	<1	14
ALL PLANS	55%	36%	1%	9%

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2012.

[‡] In the 2012 survey, the structure of cost-sharing questions was revised to include coinsurance rates with a minimum or maximum dollar amount. For most tiers, and most plan types, the average coinsurance rate is not significantly different depending on whether it included a minimum, maximum, both, or neither. See the Survey Design and Methods Section for more information.

[§] Category includes workers who pay a copayment or coinsurance plus the difference between the cost of the prescription and the cost of a comparable generic drug.

Note: Tests found no statistical difference from All Plans distribution within drug type ($p < .05$). These distributions do not include the 1% of covered workers whose employers report "none of the above" to the survey question about the type of prescription drug cost-sharing formula. For definitions of Generic, Preferred, Nonpreferred, and Fourth-Tier Drugs, see the Text Box in the introduction to Section 9.

EXHIBIT 9.4

Among Covered Workers with Three, Four, or More Tiers of Prescription Cost Sharing, Average Copayments and Average Coinsurance by Drug Type, 2000–2012

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Average Copayments													
First-Tier Drugs, Often Called Generic	\$8	\$8	\$9	\$9*	\$10*	\$10	\$11*	\$11	\$10	\$10	\$11	\$10	\$10
Second-Tier Drugs, Often Called Preferred	\$15	\$16*	\$18*	\$20*	\$22*	\$23*	\$25*	\$25	\$26	\$27	\$28*	\$29	\$29
Third-Tier Drugs, Often Called Nonpreferred	\$29	\$28	\$32*	\$35*	\$38*	\$40*	\$43*	\$43	\$46*	\$46	\$49*	\$49	\$51
Fourth-Tier Drugs	^	^	^	^	\$59	\$74	\$59	\$71*	\$75	\$85	\$89	\$91	\$79
Average Coinsurance													
First-Tier Drugs, Often Called Generic	18%	18%	18%	18%	18%	19%	19%	21%	21%	20%	17%	18%	20%*
Second-Tier Drugs, Often Called Preferred	NSD	23%	24%	23%	25%	27%	26%	26%	25%	26%	25%	25%	26%
Third-Tier Drugs, Often Called Nonpreferred	28%	33%	40%	34%*	34%	38%	38%	40%	38%	37%	38%	39%	39%
Fourth-Tier Drugs	^	^	^	^	30%	43%*	42%	36%	28%	31%	36%	29%	32%

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2000–2012.

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

^ Fourth-tier drug copayment or coinsurance information was not obtained prior to 2004.

NSD: Not Sufficient Data.

EXHIBIT 9.5

Among Workers with Two Tiers of Cost Sharing for Prescription Drugs, Distribution of Covered Workers with the Following Types of Cost Sharing for Prescription Drugs, by Drug and Plan Type, 2012

First-Tier Drugs, Often Called Generic Drugs	Copay	Coinsurance [‡]	Plan Pays Entire Cost After Any Deductibles Are Met	Some Other Amount
HMO	97%	3%	<1%	0%
PPO	60	23	12	5
POS	85	1	11	4
HDHP/SO	82	8	10	1
ALL PLANS	75%	15%	7%	3%
Second-Tier Drugs, Often Called Preferred Drugs	Copay	Coinsurance [‡]	Copay or Coinsurance Plus Difference [§]	Some Other Amount
HMO*	92%	7%	0%	1%
PPO	49	43	0	7
POS	97	3	0	<1
HDHP/SO	32	42	0	26
ALL PLANS	64%	29%	0%	7%

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2012.

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

[‡] In the 2012 survey, the structure of cost-sharing questions was revised to include coinsurance rates with a minimum or maximum dollar amount. For most tiers, and most plan types, the average coinsurance rate is not significantly different depending on whether it included a minimum, maximum, both or neither. See the Survey Design and Methods Section for more information.

[§] Category includes workers who pay a copayment or coinsurance plus the difference between the cost of the prescription and the cost of a comparable generic drug.

Note: These distributions do not include the 1% of covered workers whose employers report "none of the above" to the survey question about the type of prescription drug cost-sharing formula. For definitions of Generic and Preferred Drugs, see the Text Box in the introduction to Section 9.

EXHIBIT 9.6

Among Covered Workers with Two Tiers of Prescription Cost Sharing, Average Copayments and Average Coinsurance, by Drug Type, 2000–2012

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Average Copayments													
First-Tier Drugs, Often Called Generic	\$7	\$8*	\$9*	\$9	\$10	\$10	\$11	\$10	\$11	\$10	\$10	\$11	\$11
Second-Tier Drugs, Often Called Preferred	\$14	\$15*	\$18*	\$20*	\$22*	\$22	\$23	\$23	\$24	\$26	\$28	\$28	\$29
Average Coinsurance													
First-Tier Drugs, Often Called Generic	19%	17%	20%	21%	17%	16%	22%	21%	19%	NSD	NSD	NSD	NSD
Second-Tier Drugs, Often Called Preferred	28%	25%	25%	28%	25%	24%	27%	28%	32%	28%	27%	30%	27%

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2000–2012.

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

NSD: Not Sufficient Data.

EXHIBIT 9.7

Among Workers with the Same Cost Sharing Regardless of Type of Drug, Distribution of Covered Workers with the Following Types of Cost Sharing for Prescription Drugs, by Plan Type, 2012

	Copay	Coinsurance [‡]	Some Other Amount
HMO	NSD	NSD	NSD
PPO	22%	75%	4%
POS	NSD	NSD	NSD
HDHP/SO*	2	98%	<1
ALL PLANS	14%	85%	2%

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2012.

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

[‡] In the 2012 survey, the structure of cost-sharing questions was revised to include coinsurance rates with a minimum or maximum dollar amount. For most tiers, and most plan types, the average coinsurance rate is not significantly different depending on whether it included a minimum, maximum, both or neither. See the Survey Design and Methods Section for more information.

NSD: Not Sufficient Data.

Note: These distributions do not include the 2% of covered workers whose employers report “none of the above” to the survey question about the type of prescription drug cost-sharing formula.

EXHIBIT 9.8

Among Covered Workers with the Same Cost Sharing Regardless of Type of Drug, Average Copayments and Average Coinsurance, 2000–2012

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Average Copayments	\$8	\$10*	\$10	\$10	\$14*	\$10*	\$13*	\$13	\$15	\$15	\$13	\$14	\$13
Average Coinsurance	22%	20%	23%	22%	25%	23%	23%	22%	24%	22%	24%	23%	22%

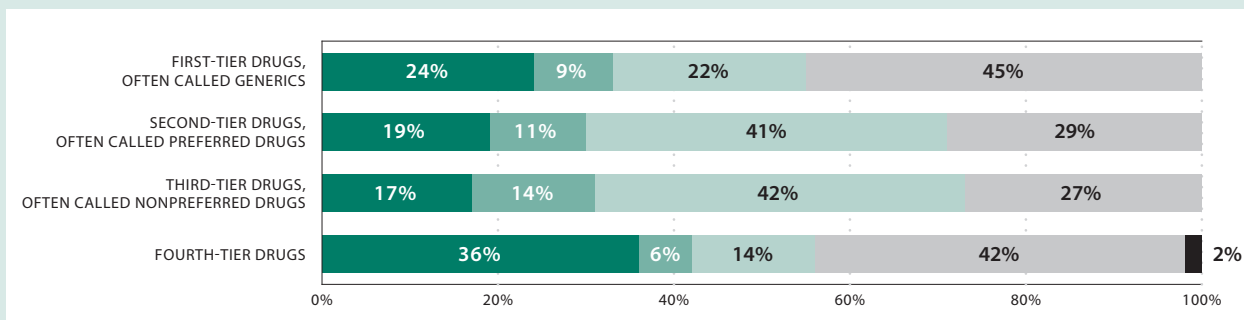
SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2000–2012.

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

EXHIBIT 9.9

Distribution of Coinsurance Structures for Covered Workers Facing a Coinsurance for Prescription Drugs, 2012



SOURCE:

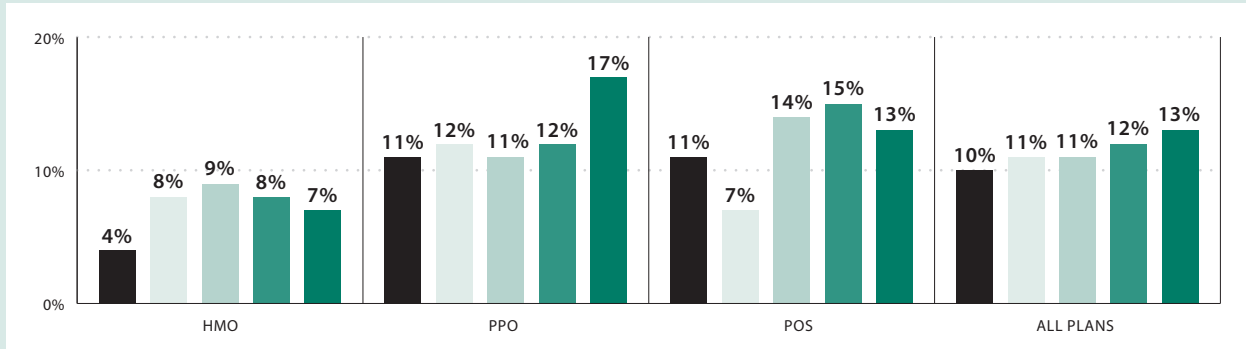
Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2012.

Note: In 2012 we asked firms that indicated they had a coinsurance for prescription drugs if the coinsurance included any minimum or maximum.

- A MAXIMUM DOLLAR AMOUNT
- A MINIMUM DOLLAR AMOUNT
- BOTH A MAXIMUM AND MINIMUM DOLLAR AMOUNT
- NEITHER
- OTHER

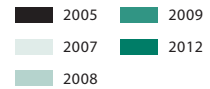
EXHIBIT 9.10

Percentage of Covered Workers with Drug Coverage Who Face a Separate Prescription Drug Deductible, by Plan Type, 2005–2012



SOURCE:

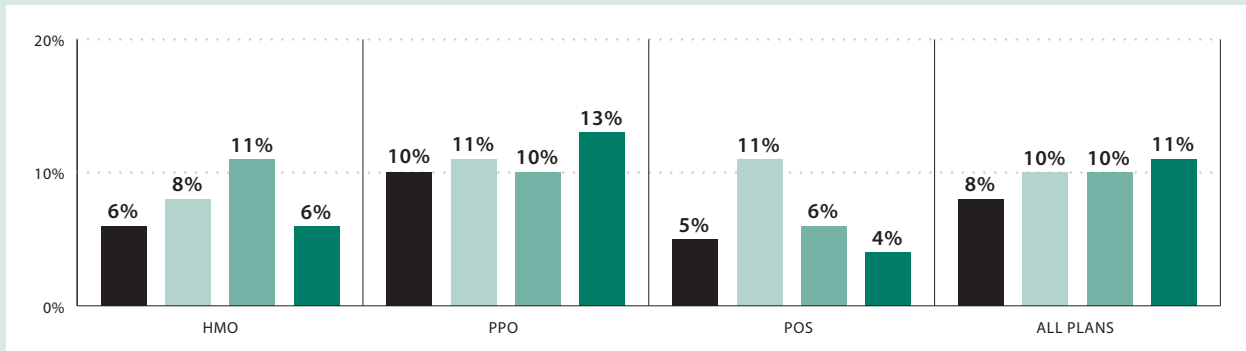
Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2005–2012.



Note: Tests found no statistical difference from estimate for the previous year shown ($p < .05$). Information on HDHP/SOs was not collected prior to 2008. In 2012, information on separate prescription drug deductibles was collected for HDHP/SOs, and 7% of covered workers in HDHP/HRAs have a separate drug deductible. In 2007, information on whether a plan has a separate drug deductible was not imputed for one PPO and one POS plan that covered prescription drugs. If these responses were imputed, the prevalence of separate drug deductibles would remain the same for PPOs and would increase or decrease no more than 1% for POS plans.

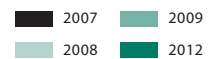
EXHIBIT 9.11

Percentage of Covered Workers with Drug Coverage with a Separate Annual Out-of-Pocket Limit That Applies to Prescription Drugs, by Plan Type, 2007–2012



SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2007–2012.



Note: Tests found no statistical difference from estimate for the previous year shown ($p < .05$). Data for HDHP/SOs are not included in this exhibit because HSA-qualified HDHPs are required by law to have an annual out-of-pocket limit of no more than \$6,050 for single coverage and \$12,100 for family coverage in 2012, making it unlikely a plan would include a separate out-of-pocket maximum for prescription drugs. As a result, only firms offering HDHP/HRAs were asked if the plan has a separate out-of-pocket maximum that applies to prescription drugs. Among covered workers enrolled in HDHP/HRAs, 13% are enrolled in plans with a separate annual out-of-pocket limit that applies to prescription drugs in 2012.

