

## STATISTICAL BRIEF #107

December 2005

### Prescription Drug Expenditures in the 10 Largest States for Persons under Age 65, 2003

*John P. Sommers, PhD*

#### Introduction

Prescription drugs are a large and growing part of health care expenditures. In 2003, expenditures for prescription drugs among the civilian noninstitutionalized population were \$177.7 billion or 19.8 percent of total health care expenditures. This was a significant increase from 1996, when prescription drugs expenditures were \$65.2 billion and accounted for only 11.9 percent of total health care expenditures.

As overall costs of health care continue to rise and the cost of prescription drugs become a larger share, more interest is focused on these costs. For persons under age 65, the percentage of total health care expenditures that could be attributed to prescription drugs was 11.5 percent in 1996 and 19.5 percent in 2003. Likewise, for persons under age 65, the percentage paid by Medicaid grew from 11.0 percent to 14.3 percent in the same time frame.

While the total expenditures for prescription drugs are a significant portion of all health care costs for the nation, the percentage of individuals who have expenditures, the average expenditure, and the percentages paid by the various sources of payments (such as private coverage, Medicaid, and out-of-pocket) can vary considerably across States.

Using data from the Household Component of the Medical Expenditure Panel Survey (MEPS-HC), this Statistical Brief presents estimates for prescription drug expenditures for persons under age 65 in the 10 largest States for the year 2003 and compares these estimates to the national average. Only those estimates with statistically significant differences from the national average using a multiple comparison procedure at the 0.05 significance level are noted in the text.

#### Findings

In 2003, 60.5 percent of all persons under age 65 had an expenditure for prescription drugs (figure 1). In California, the percentage was 52.1 percent, which was significantly lower than this average. For persons

#### Highlights

- In 2003, prescription drugs represented about 19.5 percent of all medical expenditures for persons under age 65.
- The percentage of persons under age 65 with a prescription drug expenditure in 2003 was lower than the national average in California and higher than the national average in Ohio and Michigan.
- The percentage of expenditures for prescription drugs for persons under age 65 covered by private insurance was higher than the national average in Michigan and Ohio.
- The percentage of prescription drug expenditures paid out-of-pocket by persons under age 65 in Texas was higher than the national average but lower than the national average in Ohio and New Jersey.
- The percentage of prescription drug expenditures for persons under age 65 paid by Medicaid in New York was higher than the national average but lower than the national average in Illinois and New Jersey.

under age 65 in Ohio and Michigan, the percentages were 66.7 and 66.1 percent, respectively. Both values are higher than the national average.

The national average expenditure for prescription drugs in 2003 for persons under age 65 who had an expenditure was \$768 (figure 2). The average expenditures for persons under age 65 in Texas were lower than the national average, with a value of \$613.

Nationwide in 2003, private insurance paid for 41.7 percent of the expenditures for prescription drugs for persons under age 65 (figure 3). In Ohio and Michigan, private insurance paid for a higher proportion of these expenditures, at 52.6 and 53.3 percent, respectively.

Out-of-pocket payments by persons under age 65 in 2003 accounted for 40.6 percent of the expenditures for their prescription drugs (figure 4). In Texas, out-of-pocket payments by persons under age 65 were significantly higher than the national average, at 48.3 percent. Persons under age 65 in New York, Ohio, and New Jersey contributed a smaller share of prescription drug expenditures with their out-of-pocket payments. The percentages in the three States were 30.8, 32.3, and 31.7 percent, respectively.

Nationally, Medicaid paid for 14.3 percent of the expenditures for prescription drugs for persons under age 65 in 2003 (figure 5). Individuals in New York had the highest percentage paid by Medicaid among the 10 largest States, at 29.4 percent. Individuals in Illinois and New Jersey had lower percentages paid by Medicaid for prescribed medicine expenditures than the national average. The percentages in Illinois and New Jersey were 6.0 and 9.2 percent, respectively.

## Definitions

### *Expenditures*

Expenses include total payments from all sources to hospitals, physicians, other health care providers (including dental care and home health), pharmacies, and providers of other medical equipment for services reported by respondents in the MEPS-HC. Sources include direct payments from individuals, private insurance (including TRICARE), Medicare, Medicaid, and various other sources (including the Veterans' Administration, Workers' Compensation, and miscellaneous public sources).

### *Prescribed medicine expenditures*

This subcategory of expenditures includes those for all prescribed medications initially purchased or otherwise obtained during the year, as well as any refills.

## About MEPS-HC

MEPS-HC is a nationally representative longitudinal survey that collects detailed information on health care utilization and expenditures, health insurance, and health status, as well as a wide variety of social, demographic, and economic characteristics for the civilian noninstitutionalized population. It is cosponsored by the Agency for Healthcare Research and Quality and the National Center for Health Statistics.

For more information about MEPS, call the MEPS information coordinator at AHRQ (301-427-1656) or visit the MEPS Web site at <http://www.meps.ahrq.gov/>.

## References

For a detailed description of the MEPS survey design, sample design, and methods used to minimize sources of nonsampling error, see the following publications:

Cohen, J. *Design and Methods of the Medical Expenditure Panel Survey Household Component*. MEPS Methodology Report No. 1. AHCPR Pub. No. 97-0026. Rockville, Md.: Agency for Health Care Policy and Research, 1997.

Cohen, S. *Sample Design of the 1996 Medical Expenditure Panel Survey Household Component*. MEPS Methodology Report No. 2. AHCPR Pub. No. 97-0027. Rockville, Md.: Agency for Health Care Policy and Research, 1997.

Cohen, S. Design Strategies and Innovations in the Medical Expenditure Panel Survey. *Medical Care*, July 2003: 41(7) Supplement: III-5–III-12.

Sommers, J. P. *Producing State Estimates with the Medical Expenditure Panel Survey, Household Component*. Methodology Report No. 16. December 2005. Rockville, Md.: Agency for Healthcare Research and Quality.

### **Suggested Citation**

Sommers, J. P. *Prescription Drug Expenditures in the 10 Largest States for Persons under Age 65, 2003*. Statistical Brief #107. December 2005. Agency for Healthcare Research and Quality, Rockville, Md. [http://meps.ahrq.gov/mepsweb/data\\_files/publications/st107/stat107.pdf](http://meps.ahrq.gov/mepsweb/data_files/publications/st107/stat107.pdf)

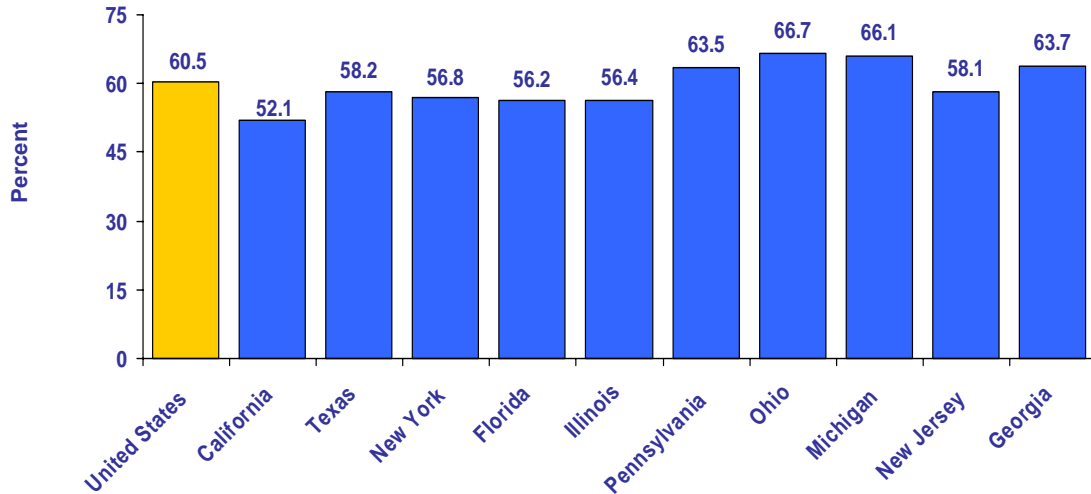
\* \* \*

AHRQ welcomes questions and comments from readers of this publication who are interested in obtaining more information about access, cost, use, financing, and quality of health care in the United States. We also invite you to tell us how you are using this Statistical Brief and other MEPS data and tools and to share suggestions on how MEPS products might be enhanced to further meet your needs. Please e-mail us at [mepsd@ahrq.gov](mailto:mepsd@ahrq.gov) or send a letter to the address below:

Steven B. Cohen, PhD, Director  
Center for Financing, Access, and Cost Trends  
Agency for Healthcare Research and Quality  
540 Gaither Road  
Rockville, MD 20850



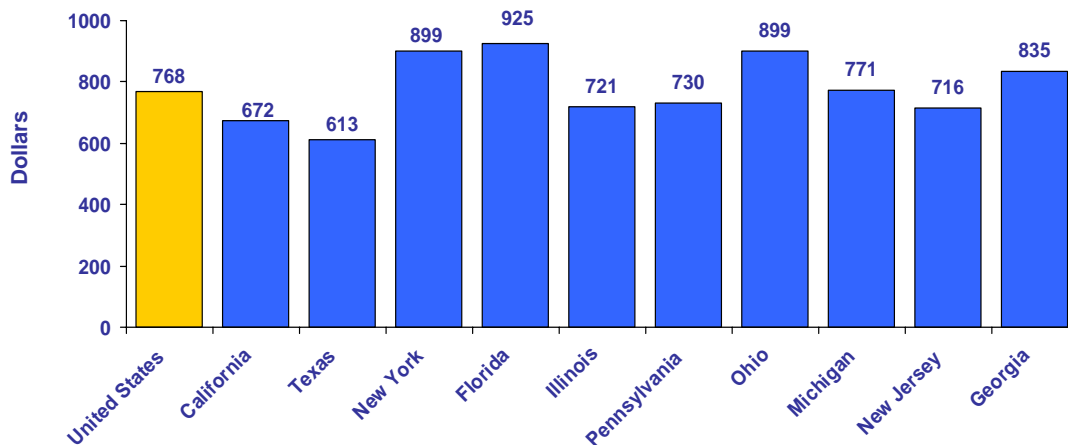
**Figure 1. Percentage of persons under age 65 who had a prescription drug expenditure in 2003: United States and 10 largest States**



Source: Center for Financing, Access, and Cost Trends, AHRQ, Household Component of the Medical Expenditure Panel Survey 2003



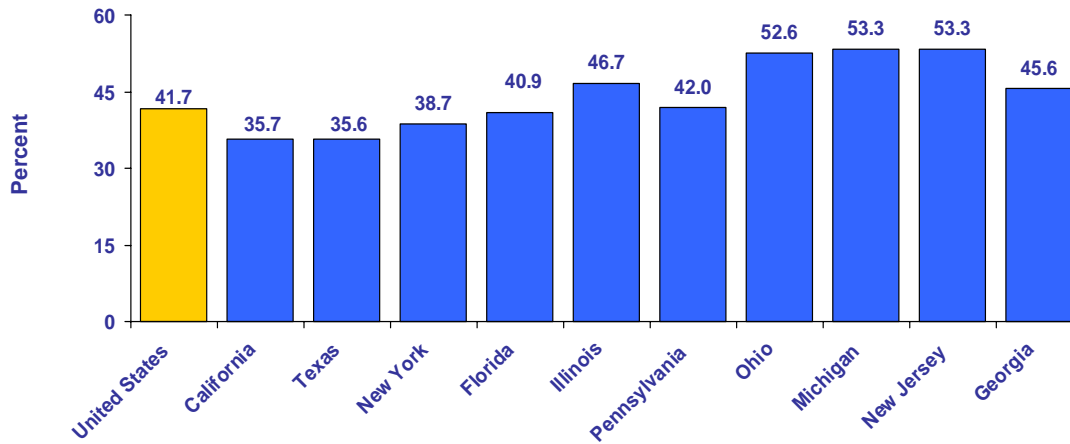
**Figure 2. Average prescription drug expenditures for persons under age 65 who had an expenditure in 2003: United States and 10 largest States**



Source: Center for Financing, Access, and Cost Trends, AHRQ, Household Component of the Medical Expenditure Panel Survey 2003



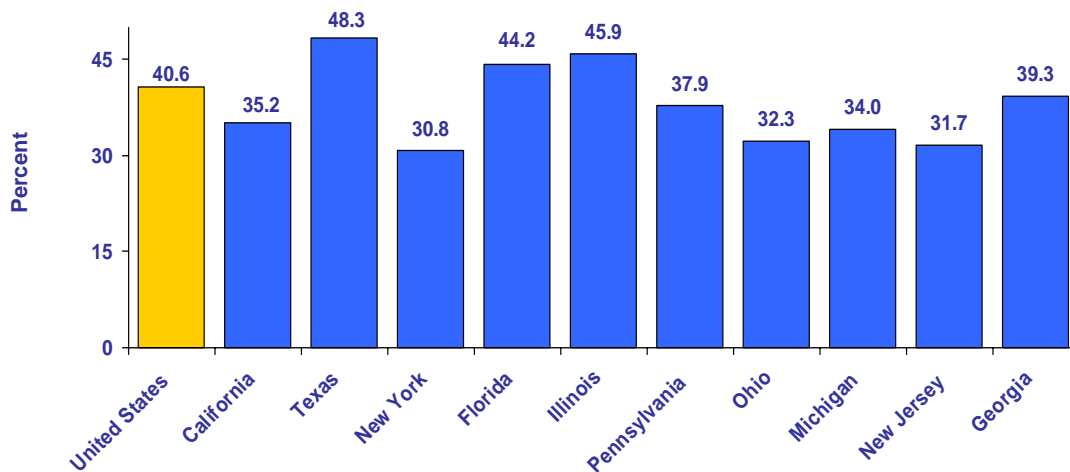
**Figure 3. Percentage of prescription drug expenditures for persons under age 65 paid by private insurance in 2003: United States and 10 largest States**



Source: Center for Financing, Access, and Cost Trends, AHRQ, Household Component of the Medical Expenditure Panel Survey 2003



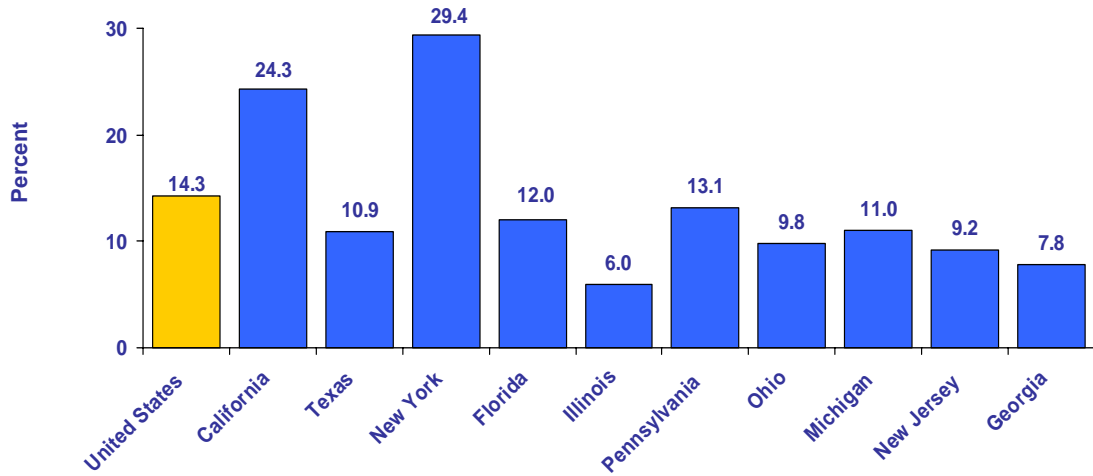
**Figure 4. Percentage of prescription drug expenditures for persons under age 65 paid out-of-pocket in 2003: United States and 10 largest States**



Source: Center for Financing, Access, and Cost Trends, AHRQ, Household Component of the Medical Expenditure Panel Survey 2003



**Figure 5. Percentage of prescription drug expenditures for persons under age 65 paid by Medicaid in 2003: United States and 10 largest States**



Source: Center for Financing, Access, and Cost Trends, AHRQ, Household Component of the Medical Expenditure Panel Survey 2003