

EMPLOYER HEALTH BENEFITS

2014 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. FOR THESE WORKERS COPAYMENTS, RATHER THAN COINSURANCE, CONTINUE TO BE THE MORE COMMON FORM OF COST SHARING.

- ▶ As in prior years, nearly all (more than 99%) covered workers in employer-sponsored plans have a prescription drug benefit.
- ▶ An overwhelming majority of covered workers (90%) have a tiered cost-sharing formula for prescription drugs in 2014 (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 last few years, an increasing number of plans have created a fourth or even higher tier of drug cost sharing, which may be used for lifestyle drugs or expensive biologics. Employers often place various drugs in generic, preferred, or non-preferred tiers to encourage enrollees to select cheaper alternatives or to pass on to enrollees the higher costs of more expensive drugs. Sometimes employers will place high initial cost sharing for higher tier drugs but then include a coinsurance maximum to limit an enrollees total liability.
- ▶ Eighty percent of covered workers are enrolled in plans with three, four, or more tiers of cost sharing for prescription drugs, similar to 82% of covered workers in 2013 (Exhibit 9.1).
  - HDHP/SOs have different cost-sharing patterns for prescription drugs than other plan types. Only 43% of covered workers in HDHP/SOs are in a plan with three tiers of cost sharing for prescription drugs; 15% are in plans that pay 100% of prescription costs once the plan deductible is met (Exhibit 9.2).

### THREE OR MORE TIERS

- ▶ Twenty percent of covered workers are in a plan that has four or more tiers of cost sharing for prescription drugs (Exhibit 9.1).

**Generic drugs:** Drugs product 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.

**Non-preferred 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.

- ▶ Among workers covered by plans with three or more tiers of cost sharing for prescription drugs, copayments are far more common than coinsurance in the first three tiers (Exhibit 9.3). For covered workers in plans with three or more cost-sharing tiers, 39% face a copayment for fourth-tier drugs and 49% face coinsurance (Exhibit 9.3).
  - For covered workers in plans with three, four, or more tiers of cost sharing for prescription drugs, the average drug copayments for second-tier drugs (\$31), third-tier drugs (\$53), and fourth-tier drugs (\$83) are comparable to the amounts reported in 2013 (\$29, \$52, and \$80, respectively) (Exhibit 9.4). However, for first-tier drugs, copayments increased slightly from \$10 in 2013 to \$11 in 2014.

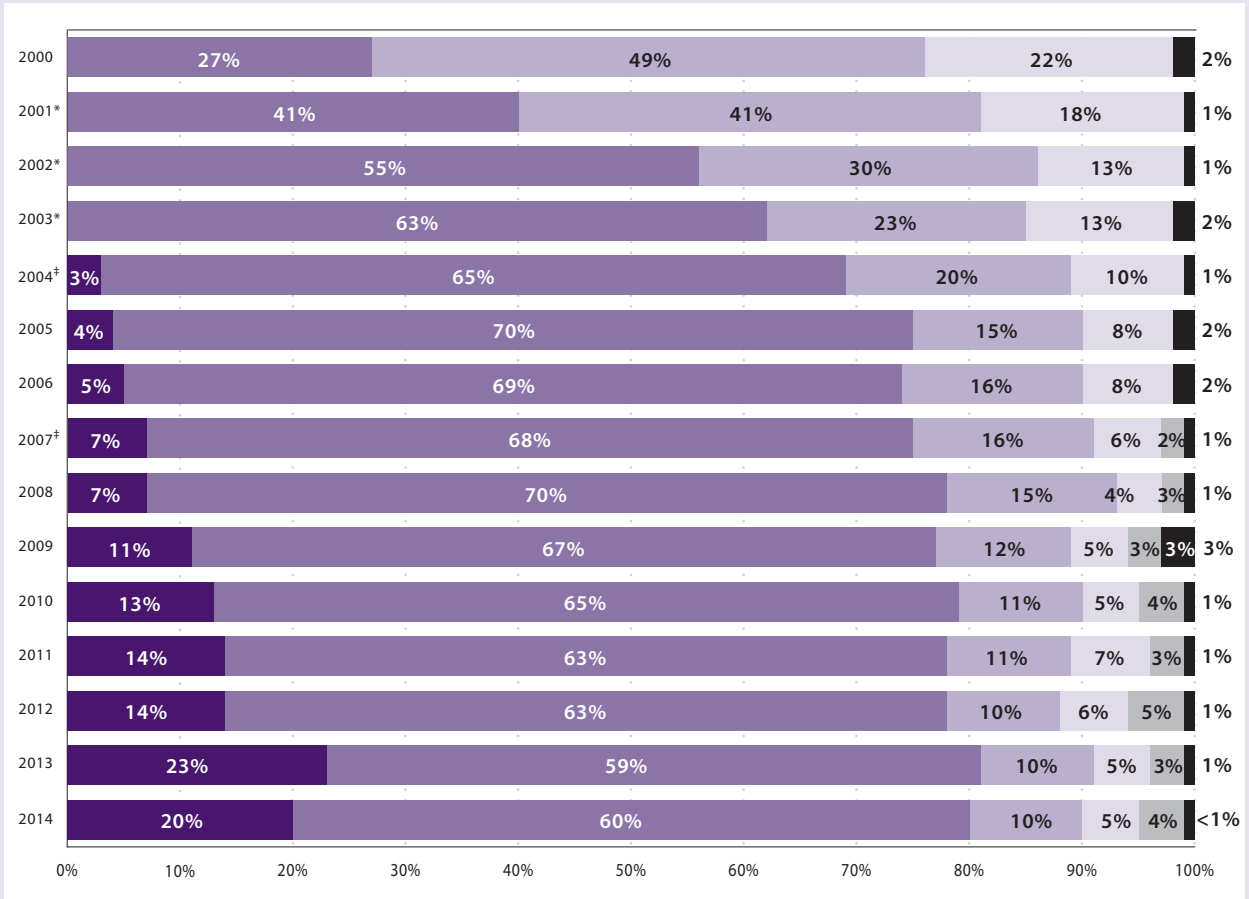
- For covered workers in plans with three, four, or more tiers of cost sharing for prescription drugs who face coinsurance rather than copayments, coinsurance levels average 19% for first-tier drugs, 24% for second-tier drugs, 37% for third-tier drugs, and 29% for fourth-tier drugs. These estimates are similar to last year (16%, 25%, 38%, and 32%, respectively) (Exhibit 9.4).

#### SINGLE AND TWO TIERS

- ▶ 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 \$30. The average coinsurance rate for the second tier is 27% (Exhibit 9.6).
- ▶ Five 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, 22% have copayments and 77% have coinsurance (Exhibit 9.7).
- ▶ For those workers with the same cost sharing regardless of the type of drug, the average copayment is \$15 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; for example for generic or first tier drugs, 21% of workers with a coinsurance rate have only a maximum dollar amount attached to the coinsurance rate, 10% have only a minimum dollar amount, 27% have both, and 42% have neither (Exhibit 9.9).

EXHIBIT 9.1

Distribution of Covered Workers Facing Different Cost-Sharing Formulas for Prescription Drug Benefits, 2000–2014



SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2000–2014.

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

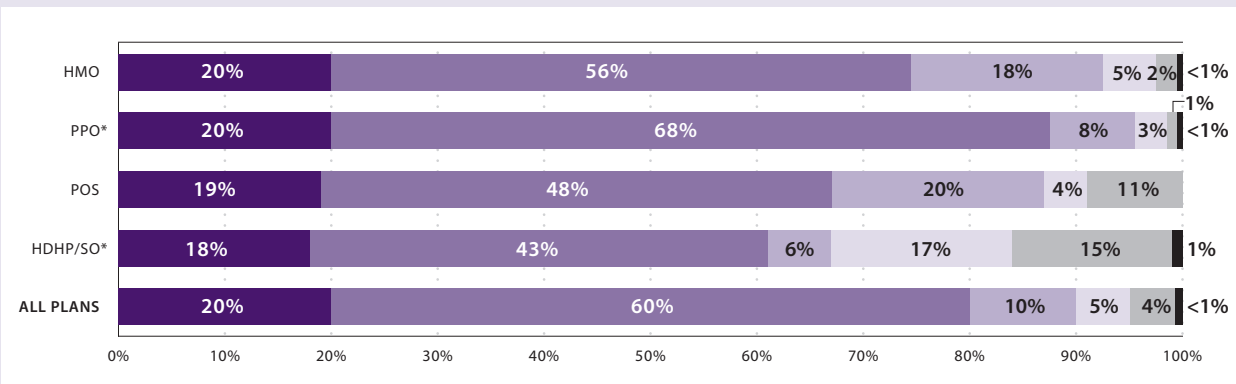
† No statistical tests are conducted between 2003 and 2004 or between 2006 and 2007 due to the addition of a new category.

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, 2014



SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2014.

\* 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 Tier and Plan Type, 2014

First-Tier Drugs, Often Called Generic Drugs	Copay	Coinsurance <sup>‡</sup>	Plan Pays Entire Cost After Any Deductibles Are Met	Some Other Amount
HMO	92%	6%	<1%	2%
PPO	85	10	2	2
POS	96	2	1	<1
HDHP/SO	73	22	2	3
<b>ALL PLANS</b>	<b>85%</b>	<b>11%</b>	<b>2%</b>	<b>2%</b>
Second-Tier Drugs, Often Called Preferred Drugs	Copay or Coinsurance Plus Any Difference <sup>§</sup>			
HMO	90%	10%	<1%	<1%
PPO	76	23	1	1
POS	97	3	0	<1
HDHP/SO	61	37	1	2
<b>ALL PLANS</b>	<b>77%</b>	<b>22%</b>	<b>1%</b>	<b>1%</b>
Third-Tier Drugs, Often Called Nonpreferred Drugs				
HMO	82%	17%	<1%	1%
PPO	72	25	1	2
POS	90	9	0	<1
HDHP/SO	59	38	1	2
<b>ALL PLANS</b>	<b>73%</b>	<b>25%</b>	<b>1%</b>	<b>2%</b>
Fourth-Tier Drugs				
HMO	34%	54%	0%	12%
PPO	41	48	5	7
POS	30	37	1	31
HDHP/SO	40	56	0	4
<b>ALL PLANS</b>	<b>39%</b>	<b>49%</b>	<b>3%</b>	<b>9%</b>

## SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2014.

<sup>‡</sup> Beginning with 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 2012 Survey Design and Methods section for more information.

<sup>§</sup> 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, 2000–2014

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>Average Copayments</b>															
First-Tier Drugs, Often Called Generic	\$8	\$8	\$9	\$9*	\$10*	\$10	\$11*	\$11	\$10	\$10	\$11	\$10	\$10	\$10	\$11*
Second-Tier Drugs, Often Called Preferred	\$15	\$16*	\$18*	\$20*	\$22*	\$23*	\$25*	\$25	\$26	\$27	\$28*	\$29	\$29	\$29	\$31
Third-Tier Drugs, Often Called Nonpreferred	\$29	\$28	\$32*	\$35*	\$38*	\$40*	\$43*	\$43	\$46*	\$46	\$49*	\$49	\$51	\$52	\$53
Fourth-Tier Drugs	^	^	^	^	\$59	\$74	\$59	\$71*	\$75	\$85	\$89	\$91	\$79	\$80	\$83
<b>Average Coinsurance</b>															
First-Tier Drugs, Often Called Generic	18%	18%	18%	18%	18%	19%	19%	21%	21%	20%	17%	18%	20%*	16%*	19%
Second-Tier Drugs, Often Called Preferred	NSD	23%	24%	23%	25%	27%	26%	26%	25%	26%	25%	25%	26%	25%	24%
Third-Tier Drugs, Often Called Nonpreferred	28%	33%	40%	34%*	34%	38%	38%	40%	38%	37%	38%	39%	39%	38%	37%
Fourth-Tier Drugs	^	^	^	^	30%	43%*	42%	36%	28%	31%	36%	29%	32%	32%	29%

## SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2000–2014.

\* 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, 2014

First-Tier Drugs, Often Called Generic Drugs	Copay	Coinsurance <sup>‡</sup>	Plan Pays Entire Cost After Any Deductibles Are Met	Some Other Amount
HMO	97%	3%	<1%	0%
PPO	54	31	11	4
POS	93	0	7	0
HDHP/SO	42	41	14	2
<b>ALL PLANS</b>	<b>70%</b>	<b>20%</b>	<b>8%</b>	<b>2%</b>
Second-Tier Drugs, Often Called Preferred Drugs	Copay	Coinsurance <sup>‡</sup>	Copay or Coinsurance Plus Difference <sup>§</sup>	Some Other Amount
HMO*	86%	6%	0%	7%
PPO	47	41	10	2
POS	99	1	0	<1
HDHP/SO	39	61	0	0
<b>ALL PLANS</b>	<b>65%</b>	<b>24%</b>	<b>8%</b>	<b>3%</b>

## SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2014.

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

<sup>‡</sup> Beginning with 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.

<sup>§</sup> 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.

NSD: Not Sufficient Data.

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, 2000–2014

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>Average Copayments</b>															
First-Tier Drugs, Often Called Generic	\$7	\$8*	\$9*	\$9	\$10	\$10	\$11	\$10	\$11	\$10	\$10	\$11	\$11	\$11	\$11
Second-Tier Drugs, Often Called Preferred	\$14	\$15*	\$18*	\$20*	\$22*	\$22	\$23	\$23	\$24	\$26	\$28	\$28	\$29	\$31	\$30
<b>Average Coinsurance</b>															
First-Tier Drugs, Often Called Generic	19%	17%	20%	21%	17%	16%	22%	21%	19%	NSD	NSD	NSD	NSD	NSD	NSD
Second-Tier Drugs, Often Called Preferred	28%	25%	25%	28%	25%	24%	27%	28%	32%	28%	27%	30%	27%	30%	27%

## SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2000–2014.

\* 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, 2014

	Copay	Coinsurance <sup>‡</sup>	Some Other Amount
HMO	NSD	NSD	NSD
PPO	37%	62%	1%
POS	NSD	NSD	NSD
HDHP/SO*	5%	94%	<1%
<b>ALL PLANS</b>	<b>22%</b>	<b>77%</b>	<b>1%</b>

## SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2014.

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

<sup>‡</sup> Beginning with 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, 2000–2014

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>Average Copayments</b>	\$8	\$10*	\$10	\$10	\$14*	\$10*	\$13*	\$13	\$15	\$15	\$13	\$14	\$13	\$12	\$15
<b>Average Coinsurance</b>	22%	20%	23%	22%	25%	23%	23%	22%	24%	22%	24%	23%	22%	22%	22%

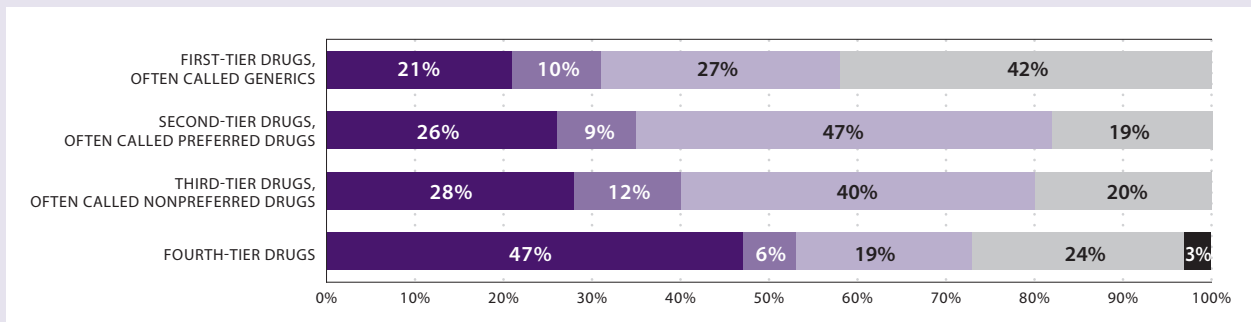
SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2000–2014.

\* 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, by Drug Tier, 2014



SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2014.

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