Spending on medicine dips in 2012 as Americans cut back on health care

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For the first time in decades, spending on prescription medicines fell in 2012 as cash-strapped Americans cut back on their use of health care services. A new study by the IMS Institute for Healthcare Informatics found that growing out-of pocket costs are forcing people to go without needed doctor visits, medicines and other treatments.

Total spending on prescription medicines declined by 3.5 percent in 2012, driven largely by the greater availability of lower-cost generic drugs and reduced spending on new medicines. This was combined with a decline in patient office visits, which were down 0.9 percent, and non-emergency hospital admissions, down 0.5 percent.

Prescriptions dispensed to 19-25 year olds declined slightly, by 0.2 percent, after showing an increase in 2011 that was most likely due to a provision of the Obama health care legislation allowing this age group to be insured through their parents' health coverage. It appears this initial boost in prescription usage due to newly acquired insurance for this group has now slackened off.

Dispensed prescriptions grew in 2012 at a 1.2 percent rate, but on a per capita basis they declined by 0.1 percent. People over the age of 50 continue to be the largest users of medications, using 64 percent of prescriptions while making up a third of the population.

While prescription usage, doctor visits and non-emergency hospital admissions all declined last year, emergency room admissions increased by 5.8 percent last year. This indicates that people are putting off seeing their primary care physicians and are only seeking treatment at the hospital when their health conditions deteriorate. People who have insurance made up a significant proportion of this hike in emergency room admissions.

The most significant findings of the IMS Institute study relate to the increased costs now borne by people who have health insurance coverage, but who are still financially blindsided by costs. Despite the slight decline in prescription costs, insured patients are being hit with higher deductibles and co-payments. Costs have risen dramatically for those with so-called consumer-driven health plans (CDHP), which have high deductible and co-insurance costs.

From 2008 to 2012, average out-of-pocket costs for people with health insurance have risen astronomically. These costs, which include co-pays, deductibles and the portion of health care premiums employees are responsible to pay, rose over this period from an average of $326 to $1,146—more than a three-fold increase.

People with CDHPs paid seven times more out of pocket last year than they did in 2008. The annual amounts were smaller--$67 in 2008, $482 in 2012—because these plans generally cover younger, healthier people, who utilize health services far less frequently. But employers have been making a concerted effort to shift greater numbers of workers onto these plans. The aim is to place more of the burden of rising health care costs onto workers.

In the past five years, about 20 million people with employer-sponsored coverage have been switched from traditional preferred provider organization (PPO) and health maintenance organization (HMO) health plans to consumer-driven health plans. CDHPs often have deductibles of $1,000 or more, and enrollees pay a fixed percentage of costs through co-insurance payments.

Even those who remain in PPOs find that their plans now largely resemble a CDHP, and they may have deductibles in excess of $1,000 and co-insurance for

medicines of more than 20 percent. Of the $1,146 average annual out-of-pocket costs for those with health insurance in 2012, $818 was due to deductibles.

These skyrocketing out-of-pocket health care costs, which are driving increasing numbers of people to forego or scrimp on needed care, will not be alleviated with the full implementation of the Obama-backed health care overhaul in January 2014. There will be no meaningful oversight on what the private insurers can charge for insurance. More workers and their dependents will skip doctor visits, or fail to fill needed prescriptions, out of financial hardship.

If workers with employer-sponsored coverage find that this coverage is “unaffordable” according to the stipulation of the health care bill, they will have to shop on the health care exchanges where the cheapest “bronze” plans offer inferior coverage. The result will be an increasingly class-based system of health care delivery, where the vast majority of workers and their families have less access to care and increasingly find that needed treatments and medicines are out of reach.