order pharmacy. Dispensing fees were deducted from the community pharmacy cost to estimate the average drug product cost per day supply. Drug product cost per day supply was multiplied by the modeled days supply in mail order to estimate the drug product cost in mail order. The effect of mail order was estimated by therapeutic class. A multivariate sensitivity analysis was performed. RESULTS: In the period August, 2000 to July, 2001, 4.1 million drug treatments were initiated; of those, 758 thousand (18.7%) were selected based on the criteria set in the study for use of mail order. The use of mail order resulted in 6.3% more drug product cost. RESULTS were sensitive to changes in the assumptions of minimum price elasticity for total net cost is -0.23; p < 0.0001). Higher brand copay only results in lower price elasticity for total net cost is -0.92 days (±24.3); 72.8% were in complete agreement, 9.1% were one to 30 days different, 5.2% were −1 to −30 days different, maximum range of −200 to 370 days different. The mean difference (±SD) under the 30-day copay was −0.33 (±10.8) days; 88.3% were in complete agreement, 9.1% were +1 to +30 days different, and 10.7% were −1 to −30 days different, range of −90 to +90 days different. CONCLUSION: After requiring additional copayments for a 90-day supply, the pharmacy's recorded days supply was more likely to be in agreement with the directions for use. Both pharmacy staff and enrollees may have contributed to the improvement by verifying that copays were accurate. When both provider and enrollee have a financial interest, prescription days supply data may be more accurate.

THE INFLUENCE OF DRUG COPAY CHANGE ON DRUG UTILIZATION: THE CASE OF SMALL-FIRM EMPLOYEES IN CALIFORNIA

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OBJECTIVES: This research determines the effects of higher brand and generic drug copays on drug utilization, the price elasticity of drug demand in a commercially insured population.

METHODS: Drug utilization variables and health status indicators are computed separately for each full year of enrollment under a specific copay structure. Fixed effect estimation is performed with the first difference estimator to obtain the marginal effect of copay change on net drug cost and number of prescriptions. Data were provided by a major West Coast pharmacy benefit management company. The sample consists of all insurance claims for employees, their spouses, and their dependents, under age 65, who were enrolled continuously for two years. Enrollees worked in a small California firm—a firm with 2–50 employees—that offered only one health plan. The final sample has 30,824 enrollees working in 4554 small firms. RESULTS: Higher generic drug copay leads to a reduction in number of prescriptions (−0.23; p < 0.0001) and total net cost to the insurer (−$7.06; p < 0.0001). Higher brand copay only results in lower total net cost to the insurer (−$2.5; p < 0.0001). The generic price elasticity for total net cost is −0.16, and brand price elasticity for total net cost is −0.11. CONCLUSION: Enrollees decrease their drug use when faced with higher copays and health plans can significantly reduce their outlays on drugs by raising drug copays.

MEDICATION NEEDS OF ELDERLY INDIVIDUALS WITHOUT PRESCRIPTION DRUG COVERAGE

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OBJECTIVES: To document the current level of need for medications among currently underinsured elderly individuals and to describe the medical conditions that lead to hospitalizations in this group. METHODS: This study utilizes a unique data base containing "quasi-claims" data on 5303 Maryland residents 65 years of age or older who received free drugs from Patient Assistance Programs (PAPs). MEDBANK, a program that helps low-income individuals cope financially by assisting them in applying for free-drug programs, maintains an internal data base on the drugs requested and those that were received. This data base makes it possible to identify the drugs that were requested and received by this group for which no claims data base exists. Elderly MEDBANK recipients are then matched to the state of Maryland inpatient discharge data base to identify the diagnoses for which these individuals were hospitalized. RESULTS: The most frequently requested drugs were cardiovascular agents, which account for 42% of all requests. Commensurate with that result, we find that the top primary diagnosis for hospitalizations of this population was for diseases of the circulatory system. The least accessible drugs were anti-infective systemic agents, for which patients received only 34% of their requests. Overall, MEDBANK recipients received 39% of the drugs requested. The median patient received about two-thirds of their requests, while the median number of drugs requested and received, respectively, was six and three. CONCLUSIONS: PAPs allowed Maryland Medicare eligible individuals to receive only 59% of the drugs they requested, highlighting the need for additional coverage.