

The Impact of Medicare Part D on Social Security Disability Insurance Beneficiaries

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Key Findings and Policy Implications

This paper examines the impact of Medicare Part D coverage on prescription drug spending, drug utilization and health of SSDI beneficiaries, following the introduction of Medicare Part D in 2006. It uses data from the Medical Expenditure Panel Study (MEPS) from 2001-2009. The paper finds that:

- Medicare Part D increased annual spending on prescription drugs by SSDI beneficiaries by \$910 compared to the privately insured and by \$524 compared to over-65 Medicare beneficiaries. Despite the increase in spending, however, there was no increase in the number of medications fills, suggesting potential substitution to more expensive medications.
- Contrary to expectations, spending on prescription drugs also increased significantly among those dually eligible for Medicare and Medicaid, even though this population already had prescription drug coverage prior to the introduction of Part D.
- While total spending increased, out-of-pocket spending by SSDI beneficiaries decreased significantly following the introduction of Medicare Part D. Total annual out-of-pocket spending by SSDI beneficiaries fell by \$438 compared to the privately insured and by \$310 compared to over-65 Medicare beneficiaries.
- The introduction of Part D was associated with a significant decrease in inpatient hospitalizations among SSDI beneficiaries, and a modest improvement in self-reported health.

The study provides policy-relevant insights on how the combination of SSDI and Medicare, and specifically its coverage for prescription drugs, affects prescription drug spending and use, out-of-pocket spending on medications and, at least potentially, health outcomes. By lowering out-of-pocket spending, for example, Medicare Part D effectively increases the disposable family income of SSDI beneficiaries by about 3% annually.

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