

Abstract:

This paper studies the impact of a change in patient cost sharing on total prescription drug spending, using the change in the coinsurance rate at age 70 in Japan. I contribute to the existing literature by investigating heterogeneous effects by patient sex and drug therapeutic class (focusing on cardiovascular drugs, antibiotics, vitamins, antihistamines, and psychotropic drugs). I find that for the whole sample, price elasticity for spending is comparable to previous estimates of price elasticity of spending for general medical services. I find no evidence of heterogeneous effects by sex over the whole sample of prescriptions, but I do find statistically significant differences between women and men within therapeutic drug classes. In an exploratory analysis on the effect of changes in patient cost sharing on the volume of prescriptions, I find that price elasticity of demand is larger than previous estimates of demand elasticity for general medical services. I also find evidence that physicians do not respond on the intensive margin by prescribing more expensive medications. This suggests that physicians instead respond by prescribing a greater quantity of medications, either on the extensive or the intensive margin.