

drugs into two sub-samples, one consisting of 39 drugs, each prescribed more than 1,000 times, and the other consisting of the remaining 208 drugs, each prescribed no more than 1,000 times. The average unit cost of the heavily prescribed drugs is more than double that of the other drugs. Patients also pay a larger share of these heavily prescribed drugs. However, the coefficient is smaller for these drugs (–.306) than for other less heavily prescribed drugs (–.383). Nevertheless, an increase in the out-of-pocket share for these drugs would still result in a larger response, since these drugs are, on average, much more expensive than the other group. The marginal response at the average value of the drug is reported in the last column of Table III.

**Frequently Prescribed Drugs.** An alternative measure of a drug’s prescription status is the average number of prescriptions per patient. For this purpose, we divide the sample into the following two groups: one group includes 197 drugs which are, on average, prescribed more than six times (all the aforementioned 39 drugs fall into this group); the other group includes 50 drugs with an average prescription frequency of fewer than six. Similar to the earlier comparisons, the mean unit cost of the heavily prescribed drugs is more than double that of the other group of drugs, and though the coefficients are similar (–.338 vs. –.388), the estimated marginal effect at the mean of 0.109 for the more frequently used drugs is more than double the 0.046 effect for the less frequently used drugs.

TABLE III

### Parameter Estimates of Model (1) by Drug Categories

Sample	Number of observations	Number of drugs	Mean of unit cost	Mean out-of-pocket share	Coefficient	t-statistic	Marginal effect at mean
All	59,150	247	.300	.758	–.343	–35.321	–.103
Total Prescriptions >1,000	31,086	39	.415	.775	–.306	–22.065	–.127
Total Prescriptions ≤ 1,000	28,064	208	.172	.740	–.383	–28.117	–.066
Average Prescriptions > 6	52,675	197	.322	.760	–.338	–32.722	–.109
Average Prescriptions ≤ 6	6,475	50	.118	.746	–.388	–13.460	–.046
Expensive	33,604	123	.519	.765	–.347	–24.971	–.180
Less Expensive	25,546	124	.011	.750	–.338	–25.670	–.004

Note: For each drug, we calculate the total prescriptions or average prescriptions before excluding observations with expenditures that are a multiple of \$5. Thus, for example, a drug in the “larger than 1,000 prescriptions” group may have fewer than 1,000 observations in the final regression. Excluding prescriptions with imputed total costs or out of pocket spending further reduces the number of observations.