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*Democracy Dies in Darkness*

Opinion

## How a \$0 co-pay saves billions

Bringing down drug costs is the first step to improve health care affordability.

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(Illustration by Michelle Kondrich/The Washington Post; iStock)

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The health care affordability problem in the United States isn't news to anyone. But it hurts real people: Right now, a 64-year-old woman is lying in a hospital fighting for every breath.

Over the years, the woman's poorly controlled high blood pressure progressed to congestive heart failure. And she just had an exacerbation, making her severely short of breath. The woman was taking four generic medications for her condition: valsartan, metoprolol, furosemide and spironolactone. But the co-pays added up and, like millions of other Americans, she went off her medications to pay other bills and buy food. A week later, she landed in the hospital, gasping.

That is a tragedy, and a preventable one: All the woman's pills are inexpensive to manufacture and distribute. The newest pill to hit the market has been available for nearly three decades, and all four are proven to be safe and effective. Collectively, the drugs cost her less than \$500 per year. But when she stopped taking them, the consequences were anything but cheap. Treating heart failure costs more than \$17,000. The drug affordability problem hurts patients' health and increases their medical costs. But a path exists to bring drug costs down.

A simple solution is to eliminate deductibles and co-pays, at least for cheap generic drugs. In 2014, insurance company Blue Cross and Blue Shield of Louisiana began experimenting with a \$0 co-pay for generic drugs. The goal was to increase medication adherence, meaning the rate of patients taking their medications as prescribed. It worked. The program covered more than 100 generic drugs to treat diabetes, hypertension, asthma and mental illness. Members who received \$0 co-pays had higher medication adherence across several major drug classes. For instance, diabetic patients on the zero-co-pay policy increased their monthly medication use by 6.2 percentage points.

Zero co-pay costs Blue Cross and Blue Shield of Louisiana nothing, and it saved patients money. Annual health care spending decreased by over \$1,400 per patient with diabetes. Medicare Advantage data also shows improvements in adherence for cholesterol medications when co-pays are eliminated.

Greater medication adherence significantly reduces average monthly non-pharmacy medical costs. By taking their medications, patients avoid emergency room visits and hospitalizations. Across the United States, medication non-adherence accounts for as much as 11 percent of all hospitalizations and contributes to an estimated 125,000 deaths annually.

Co-pays are not the only driver of medication non-adherence, but their impact is substantial. When a prescription drug costs patients nothing, patients "abandon" drugs less than 5 percent of the time, according to a report from the IQVIA Institute for Human Data Science. That rate jumps to 45 percent when out-of-pocket costs exceed \$125, and to 60 percent when they exceed \$500. The problem is compounded by the fact that many patients taking medications are elderly and on fixed incomes.

Additionally, collecting co-pays entails remarkably costly administrative shenanigans. For the woman in the hospital to get her generic drugs, she must visit her physician for annual prescription renewals. When she presents her prescription at the pharmacy, a cascade of administrative steps called "pharmacy claims adjudication" begins. This process verifies whether her drug insurance policy is active, whether the drug is on the "approved" list and whether the prescription complies with dosage and supply rules.

Then, “step-therapy” verification determines whether she must start on a different “approved” drug first. Money issues complicate the process: How much will the insurance company pay, what is the patient’s co-pay and do any applicable discounts or rebates apply? Finally, there is an approval, rejection or a requirement for prior authorization for the drug.

This convoluted process is estimated to cost tens of billions of dollars annually — just to manage the money that patients owe for \$10 drugs. By getting rid of co-pays and the complicated bureaucracy behind prescribing generic drugs, the health system could save billions on administrative costs.

The savings could lead to other improvements. Why do insurance companies have formularies for cheap generic drugs? Why not just cover them all? Getting rid of the administrative nonsense would pay for the change. And that is before counting savings from preventing unnecessary hospitalizations.

The Food and Drug Administration could also improve medication access and save patients money by converting 30 commonly prescribed generic drugs to over the counter. These are drugs that have been used for years. They have proved so beneficial and safe that doctors even quip that they should be put in our drinking water. They are not controlled substances. They do not require ongoing laboratory monitoring.

Medications safe enough to be over the counter include drugs for acid reflux, enlarged prostates and fungal infections. Drugs like these are available without a prescription in Britain, Germany and other countries where patients can walk in, consult a pharmacist and walk out with the medication. No appointment. No waiting weeks for physician visits. No co-pays. And no administrative battles between drug and insurance companies. Doctors aren’t accusing the FDA-equivalent agencies in these other countries, like Germany’s Federal Institute for Drugs and Medical Devices, of negligence or operating at lower safety standards. Why can’t the U.S. catch up?

What keeps these drugs behind the prescription barrier isn’t science but money and inertia. Physicians generate billable office visits for prescription renewals. Pharmacy chains depend on dispensing fees and the foot traffic that prescription pickups generate. The Consumer Healthcare Products Association estimates that existing over-the-counter access to drugs, like Claritin for allergies, saves Americans \$167 billion annually by reducing the need for doctor’s visits and prescription medications.

These reforms are straightforward. The U.S. already bans cost-sharing for certain preventive services. This could be extended to all cheap generic drugs. And the FDA already has the authority to reclassify prescription drugs as over the counter. The changes only require political will.

The pharmacy benefit managers, physicians and others who profit from the current system may well fight these reforms. But the changes would help patients stay healthier and save money. The nation’s health bill will go down. And fewer patients will have to choose between food and lifesaving medications.