

# **Policy Brief 2 - The Role of Health Insurance in the Cost-effective Use of Medicines**

What is the role of health insurance in cost-effective medicines use?

Medicines spending may often be high enough to cause poverty in LMICs. Around half of LMIC households spend all of their out-of-pocket health expenditure on medicine (1).(p.2) Health insurance systems can reduce prices paid by consumers for medicines and increase access and use. They also have potential to improve the use of medicines through active purchasing and management. Insurance agencies' defined populations of members give them volume and financial leverage to negotiate better prices from the pharmaceutical industry. Insurance agencies' contracts with providers can be structured to promote rational prescribing and dispensing. The insurance benefits package can be designed to encourage proper use of medicines by consumers.

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