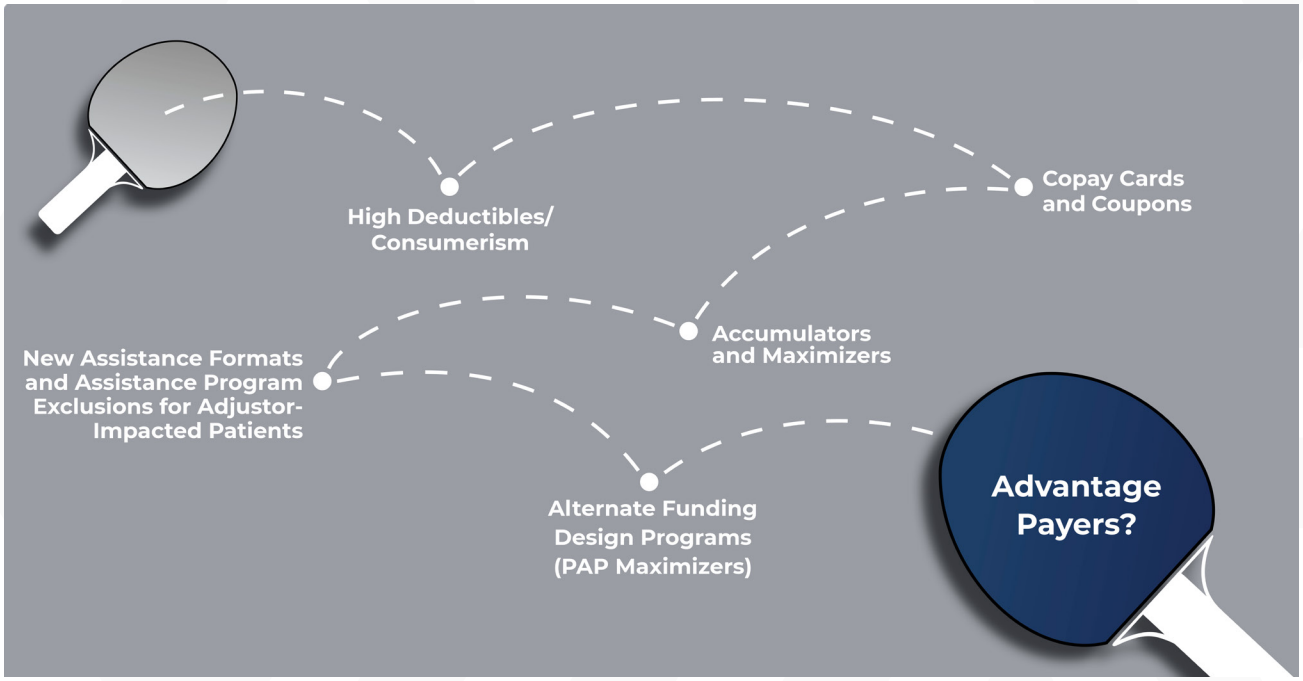
EVERSANA®

PAYERS GET CREATIVE TO FIND SAVINGS AT THE EXPENSE OF BIOPHARMA AND CONSUMERS

# Left-Right-Left: The Latest in Pharma-Payer Ping Pong




## Copay Assistance: A Formulary Work-Around

Biopharmaceutical companies have offered financial assistance for commercially covered patients' out-of-pocket cost sharing for 20+ years. In its original and simplest form, such a program entails a manufacturer-provided coupon code, whether in coupon or card form, for processing alongside insurance coverage at the pharmacy point of sale to lower or even eliminate patient out-of-pocket (OOP) costs. Copay assistance can save patients thousands of dollars a year; for example, reducing a 30%+ coinsurance on a $5,000 monthly drug fill to merely a $10 patient responsibility.

While reduced patient costs may be an obvious boon to access at face value, the payer perspective is more complicated. At its core, the reduced ability to use cost-sharing differentials as a steerage lever frustrates payers. Copay assistance to the payer's eye can be intended to bypass nonpreferred formulary coverage, or at the least can remove consumerism — "having a stake in the game" — from patient decision-making. As payers use lower cost shares to steer members toward preferred alternatives, whether because of perceived clinical superiority, a financially advantageous contract, or both, are pharma motivations for offering copay assistance centered on the patient, their own bottom line, or some mix of both? And regardless of intent, should payers let affected members' deductibles or even maximum OOP costs reach their thresholds through external dollars?

## Payers Take Advantage

Rather than attempting to prevent members from benefitting from copay assistance, which would certainly have brought accusations of harming patients, payers have instead transformed copay assistance programs into a funding stream. Payer copay accumulator programs, first launched in 2018, do not allow assistance program dollars to accumulate towards members' financial thresholds. An accumulator allows payers to accept copay assistance programs while also maintaining member-borne cost share, thereby minimizing the payer's spend. Savings for each accumulator program enrollee vary by the generosity of the pharma program's assistance and cost of the specific drug, but in aggregate payers claim notable margins.

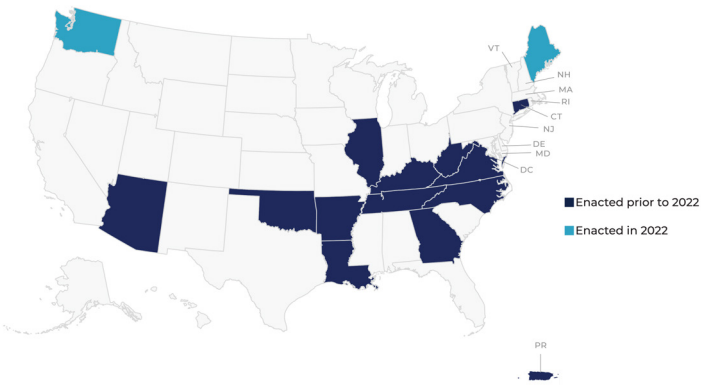
Accumulator rollouts were not, however, without hurdles, foremost among which was the incidence of surprise member OOP cost-sharing after copay supports are exhausted. A patient might have a $5 post-copay card responsibility each month for several months before the external support runs through and they suddenly owe not just a cost share but also a still-looming deductible.

Because of the direct impacts to member cost sharing and access, advocacy groups and many state legislative bodies took issue with the program model. As of late 2022, 15 states had legislation restricting accumulator programs for fully insured lives. (Note state regulations disallowing accumulators do not apply to self-funded plans.)

Sidestepping the primary hurdle for accumulators, payers shortly after unveiled a second adjustor program variety, a copay maximizer (also known as a variable copay program). Maximizers differ from accumulators in two key ways: first, affected drugs are not subject to the member's deductible (though the pharma dollars do not impact the deductible for other drugs) and, second, the program—often implemented by third-party vendors with ties to PBMs—can be designed so as to maximize all available assistance dollars, sometimes at a consistent cost structure across the calendar year. (Note state regulations do not yet apply to maximizers because they are separate from accumulators.) Designed to offer no financial surprises, except perhaps to the assistance programs, maximizers resulted in a new onslaught of maxed-out copay assistance patient accounts.

Both adjustor programs—accumulators and maximizers—are present in the market today, with maximizers largely catching up to accumulator prevalence in short order. Uptake varies by benefit design, sensitivity to member experience, and maximizers' relatively complex operations. Some MCOs implement accumulator programs internally but, more commonly, both adjustor types can both be implemented by PBMs or third-party vendors. Some top PBMs opt to leverage distinct organizations (nominally or otherwise) to avoid the appearance of the adjustor programs' profit lines having undue influence over formulary design.

**States With Copay Accumulator Legislation**
*(Accurate as of August 2022)*

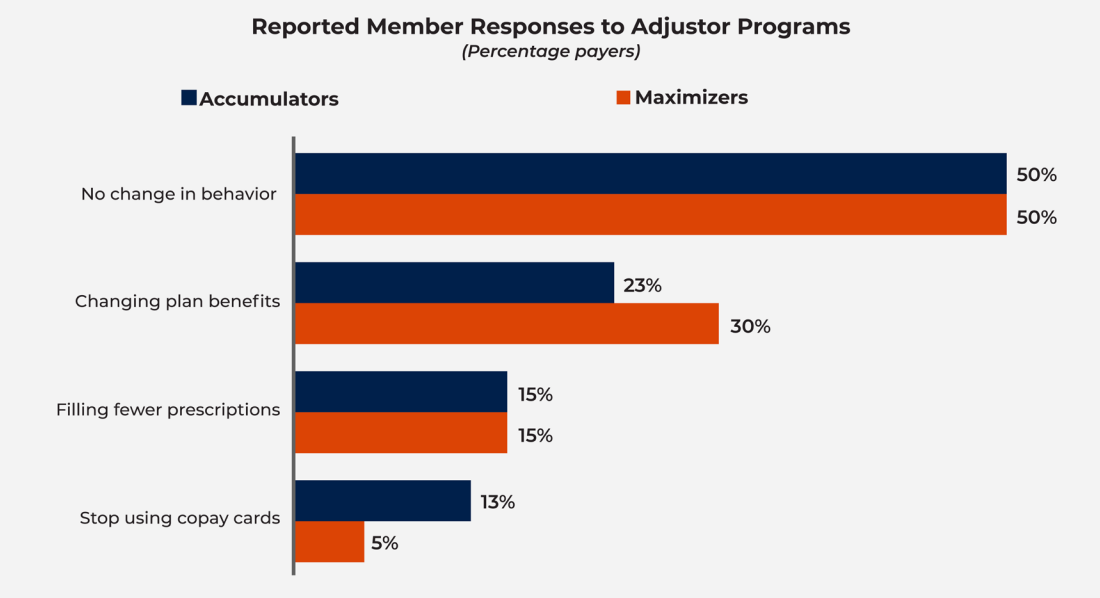



Furthering the reach of both adjustor program types, payers also report that these programs are increasingly expanding to include select medical benefit drugs, though they avoid provider reporting requirements.

***Example assumptions:***

- A member has a $5,000 deductible, a 25% coinsurance rate, and is prescribed a $20,000 per month infusible beginning January 1.
- A pharma copay assistance program covers 100% of patient OOP costs up to $15,000 per year.

| *Assistance & Adjustor Impacts* | Payer cost | Patient cost | Pharma cost | Patient deductible |
|---|---|---|---|---|
| **Scenario A:** No assistance, no accumulator | $235k | $5k | $0 | $0 |
| **Scenario B:** Copay assistance, no accumulator | $235k | $0 | $5k | $0 |
| **Scenario C:** Copay assistance, with accumulator | $220k | $5k | $15k | $0 |
| – The copay program covers the full OOP cost for three months until its maximum benefit is spent.<br>– In month 4, the patient must meet their deductible because tracked assistance does not count toward patient spend.<br>– Starting in the fifth month, the payer pays the full $20k per month. | | | | |
| **Scenario D:** Copay card, with maximizer | $225k | $0 | $15k | $5k |
| – The pharma copay program covers $1,250 per month for a total of the program maximum.<br>– The patient is shielded from any cost sharing for the specific drug compared to Scenario B (unlike with an accumulator), *but* the patient's deductible remains intact for other spend. | | | | |




## The Score – Dollars and Sense

Both adjustor programs can offer high ROI to payers, typically achieving 20% savings for targeted drugs. Driven largely by this level of savings, a majority of commercial payers now offer at least one adjustor type, whether internally or through PBM partners. In a recent NAVLIN Insights report, commercial payers with adjustors reported they were equally likely to implement maximizers as accumulators. And most actually leverage both adjustor models — increasingly with accumulators as mandatory for their fully-insured books.

But at what cost are these programs implemented? Half of payers report no change in member behavior with the implementation of accumulator or maximizer programs. But a smaller portion of payers (15%) acknowledge both program types can lead to lowered access in the form of fewer filled prescriptions.

**Assistance program models**
*Pharma perspective*

| | Copay cards/coupons | Credit/debit cards | Retrospective rebates |
|---|---|---|---|
| **Functionality** | • Cost sharing is reduced at POS via a copay program code captured in pharmacy claims | • Patients use a pharma-provided credit or debit card to pay some portion of OOP cost at POS | • Patients submit pharmacy receipt to the pharma company and receive a rebate |
| **Pharma experience** | ● | ▲ | ⬢ |
| **Member experience** | ● | ▲ | ⬢ |
| **Payer tracking** | ⬢ | ▲ | ● |

● Positive ▲ Moderate ⬢ Negative

POS = point of sale.
Source: NAVLIN Insights by EVERSANA, Commercial Benefit Dynamics, September 2022.

## Pharma Volleys Back

Pharma companies initially hesitated to react strongly to payers' adjustor strategy, avoiding the appearance of no longer offering assistance and the associated declines in utilization or adherence should patients face full cost-sharing again. Payers have described being caught in a waiting game, expecting either expansive regulations from states or from CMS or for frustrated manufacturers to challenge the status quo. And while regulations have remained limited, pharma companies have indeed started to react in two ways – one mild, and one more severe.

The mild pharma reaction is to simply make copay assistance more difficult to track, shifting away from point-of-sale coupons captured in claims data toward debit cards or post-sale patient reimbursements. Some companies even reportedly shifted to Amazon gift cards. But many pharma companies hesitate because copay cards have the advantage of being simple for the member and for the pharma company. Processing and administration make other options more challenging — not to mention initial cost outlays for the members in the case of post-purchase reimbursement.

For the more severe pharma industry reaction, several drug companies now include language in their assistance programs to exclude or limit eligibility for patients enrolled in adjustors. Though gaining traction, this strategy is limited in scale to date. One payer describes dropping a handful of drugs from their maximizer program due to such developments as of January 1, 2023.

The scale of pharma's stand against adjustors is likely to expand through 2023, but it seems payers are moving ahead with adjustors to maintain their operations until it becomes insensible to do so.

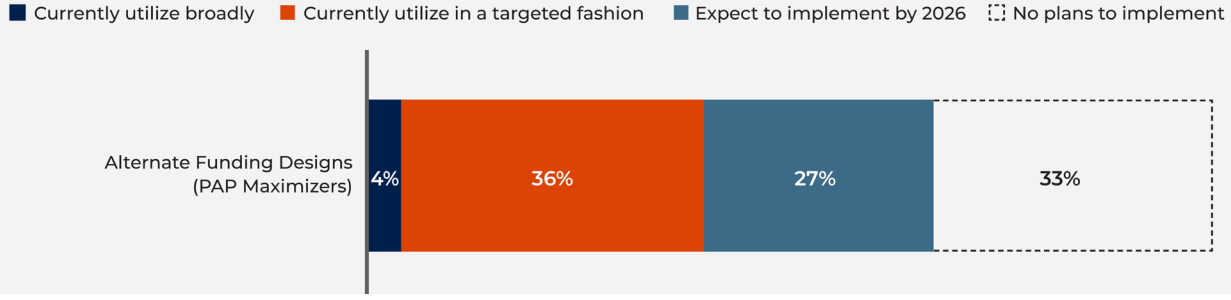
> Now it's kind of the tipping point where the manufacturers are catching on…and now they're making the criteria more rigid for members to see if they can qualify. Some are outright telling members that if your plan has a coupon maximizer program, you're ineligible for the copay assistance. Which I guess is not shocking, and I guess I kind of assumed at some point that would happen.
>
> - Clinical Pharmacy Manager, Regional Blues

## What's Next?

Faced with expanding growth in pharmacy spend and the possibility that revenues from adjustors may not last forever, some payers are also taking aim at another pharma industry patient support program: pharmaceutical assistance programs (PAPs). PAPs are charitable programs meant to assist financially challenged and commonly uninsured patients to receive free products.

**PAP Maximizers Are Used to Some Degree by 40% of Commercial Payers**

*Percentage payers by current or future application of UM tactics*



Enter Alternate Funding Design (AFD) programs, more aptly described as "PAP maximizers." In these programs, payers — typically with the support of third parties — exclude specific high-dollar specialty drugs from coverage. In simple terms, this establishes "noncoverage" of a particular medication, requiring that patient support teams then assist with enrollment into the relevant manufacturer's PAP for free, pharma-provided product to enable member access.

Payers tend to mention uptake of these programs as limited in scope, but two-thirds expect to have or at least enable PAP maximizers for at least some clients by 2026 — and 40% of payers already do.

## Advantage Payers? Pharma Serve Next.

In the ongoing evolution of controlling versus encouraging patient access to specific drugs, payers and biopharma have a long history of one-upmanship. Both sides are balancing consumer access with financial motivations, and both express frustration at the other's maneuverings.

- Will more pharma companies put limits on patient assistance when an adjustor applies?
- Are PAPs to be more commonly targeted by payer programs in the future?
- Where will the game next evolve?

Stay tuned as NAVLIN Insights continues to monitor the developing match.

> "I've had at least one ASO client of pretty big size that implemented [a PAP maximizer] in 2023...I can tell you that I'm constantly getting pinged by my ASO clients, of whom I have hundreds and hundreds, large and small, asking questions about it. So, they've got their sales force in the marketplace talking about the opportunity to pay nothing for a million dollars' worth of drugs. … I can't believe pharma can't deter it."
>
> - Medical Director, Regional Blues