The Prescription Drug Copayment Coupon Landscape
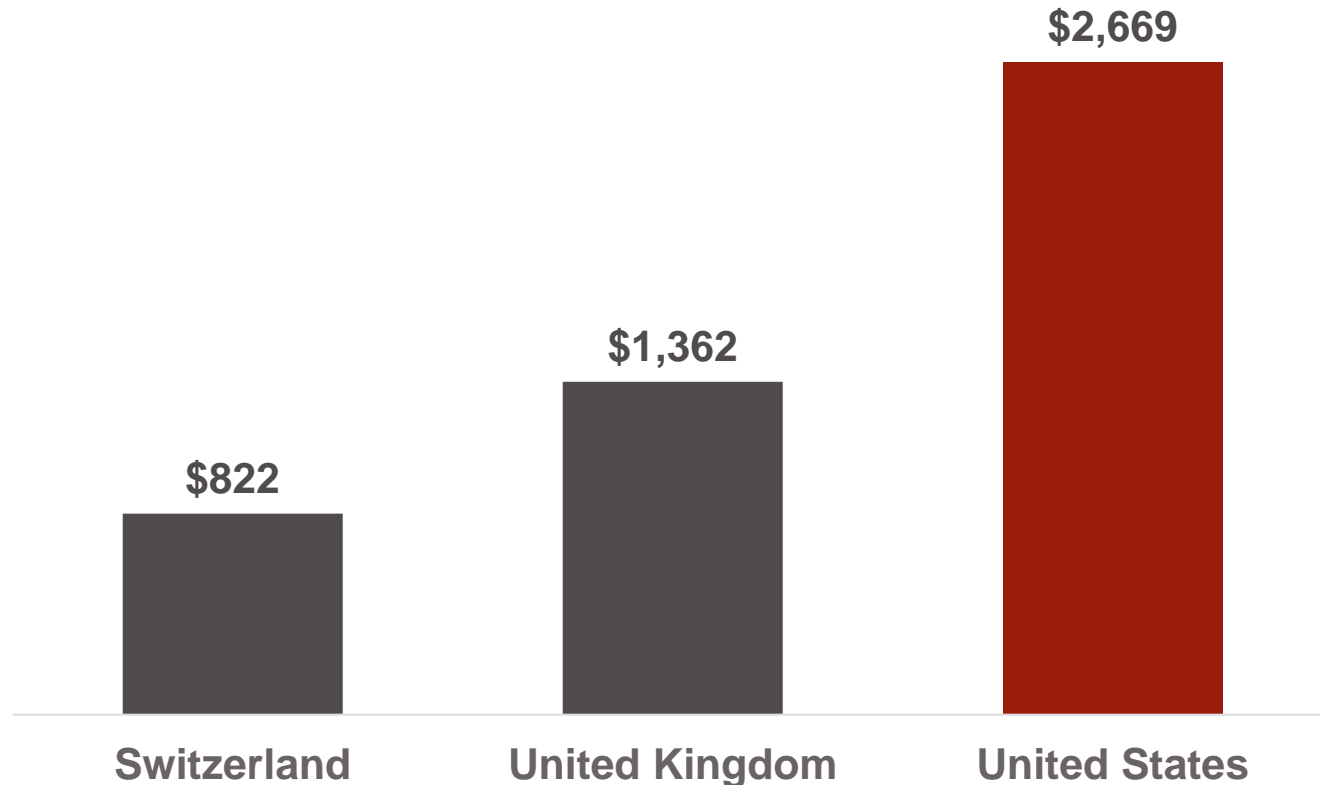
Geoffrey Joyce, PhD, Karen Van Nuys, PhD, Rocio Ribero, PhD and Dana P. Goldman, PhD

Leonard D. Schaeffer Center for Health Policy & Economics, USC

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for Health Policy & Economics

Average Price of Humira (2 Syringes, 2015)

Switzerland: $822
United Kingdom: $1,362
United States: $2,669

Source: *International Federation of Health Plans 2015 Comparative Price Report*

Most Americans favor action to keep drug prices down

Requiring drug companies to release information to the public on how they set their drug prices

86%

Allowing Medicare to negotiate with drug companies for lower drug prices

82%

Limiting the amount drug companies can charge for high-cost drugs for illnesses like hepatitis or cancer
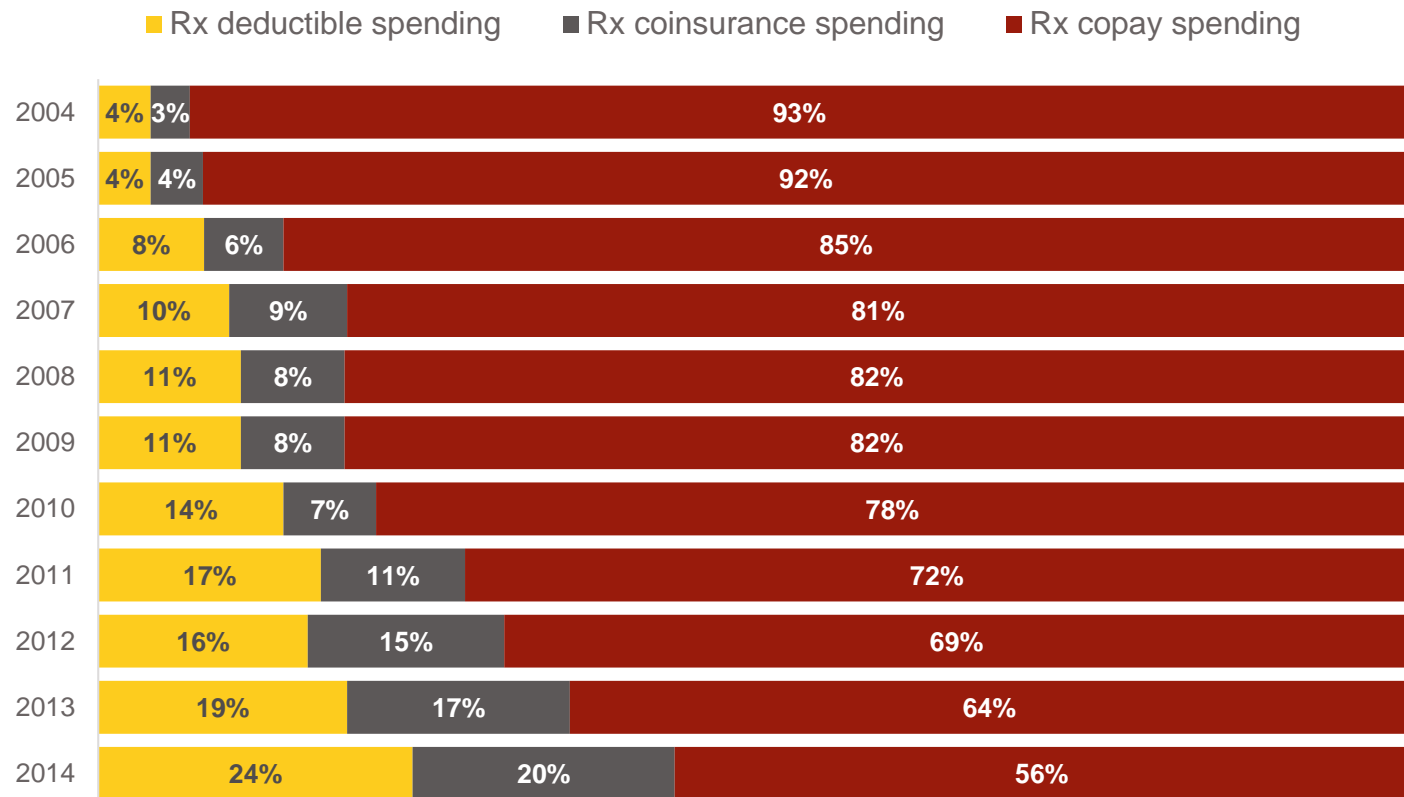
78%

Allowing Americans to buy prescription drugs imported from Canada

71%

Source: *KFF Tracking Poll, Sept 2016*

Distribution of Cost-sharing Payments for Rx Drugs in Large Employer Plans

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Legend:
- ■ Rx deductible spending
- ■ Rx coinsurance spending
- ■ Rx copay spending

Year	Rx deductible spending	Rx coinsurance spending	Rx copay spending
2004	4%	3%	93%
2005	4%	4%	92%
2006	8%	6%	85%
2007	10%	9%	81%
2008	11%	8%	82%
2009	11%	8%	82%
2010	14%	7%	78%
2011	17%	11%	72%
2012	16%	15%	69%
2013	19%	17%	64%
2014	24%	20%	56%

Source: *Kaiser Family Foundation analysis of Truven Health Analytics MarketScan Commercial Claims and Encounters Database, 2004-2014*
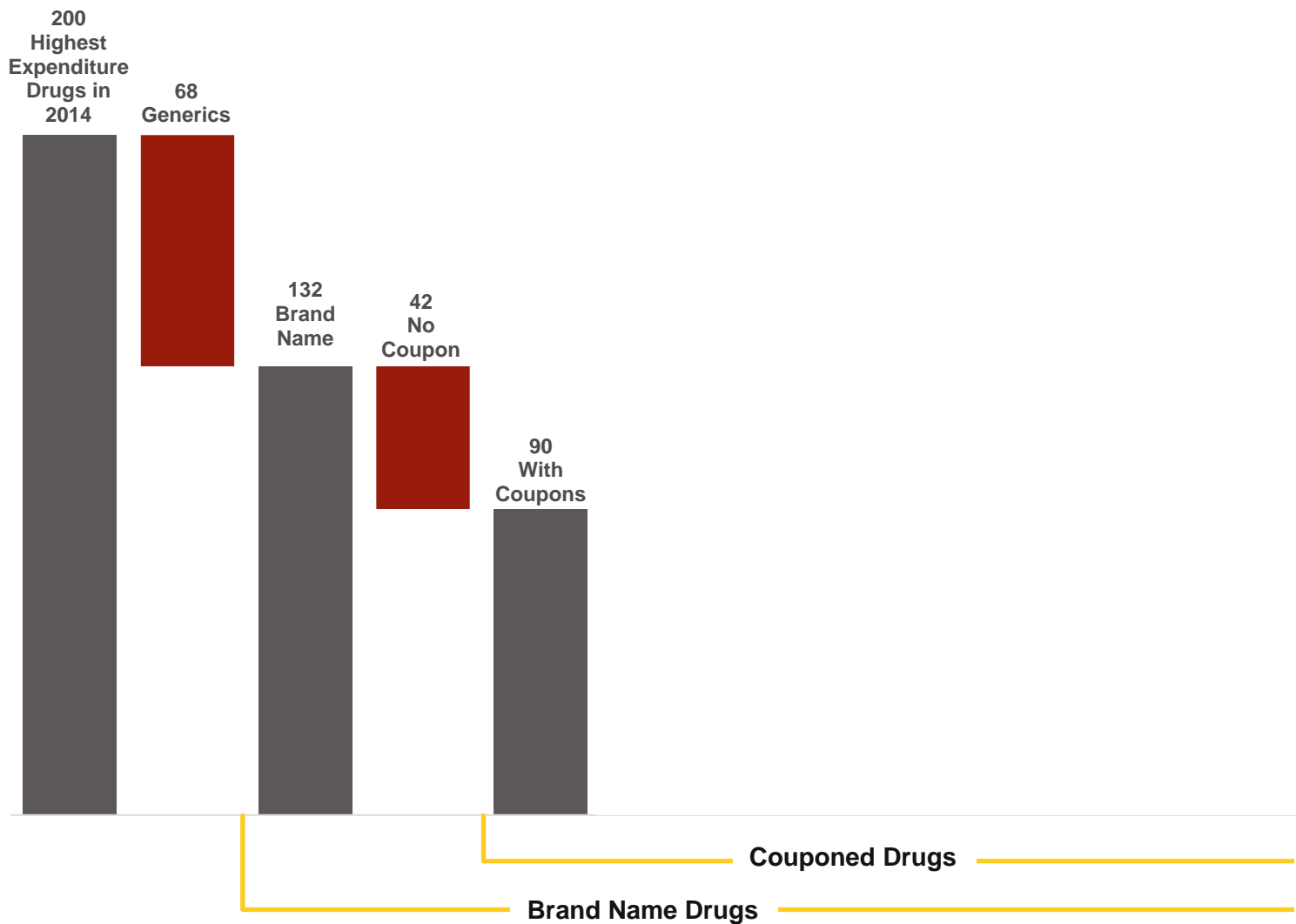
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Should Copay Coupons Be Banned?

- **Offered by pharmaceutical manufacturers**
  - **Increasingly common, but controversial tool to address high out-of-pocket costs**

- **Currently banned from federal programs**

- **Banned in MA, but repealed in 2012**

- **Several states (CA AB-265) prohibit coupons for drugs with a generic equivalent**

- **Response of commercial plans**
  - **No credit towards deductible**

Policy Question

Should government enact legislation banning copay coupons?

- **Copay coupons <u>reduce</u> or <u>eliminate</u> copayment required by the health plan**

  - **<u>Glass half-full</u>:** Improves access by reducing patient out-of-pocket costs

  - **<u>Glass half-empty</u>:** Circumvents plan benefit design

    Patients fill more expensive therapies, raising total drug expenditures

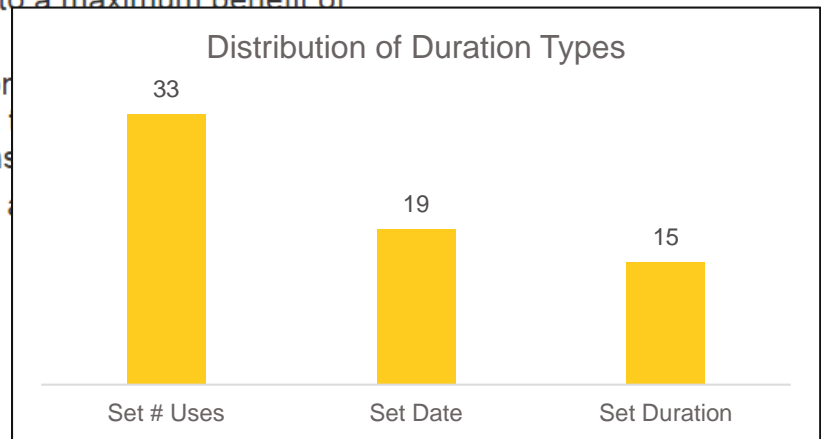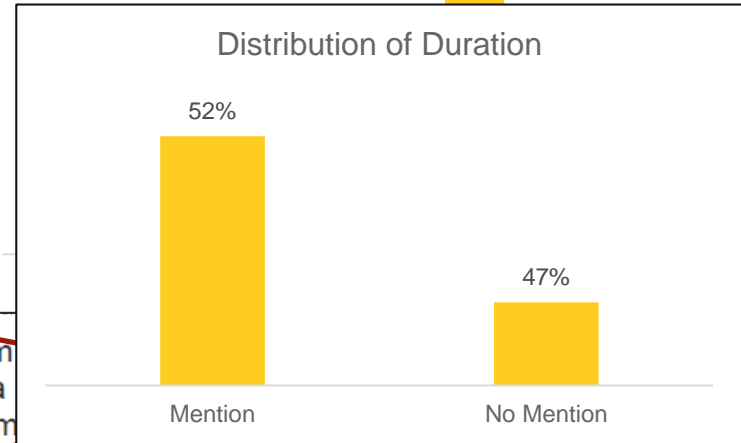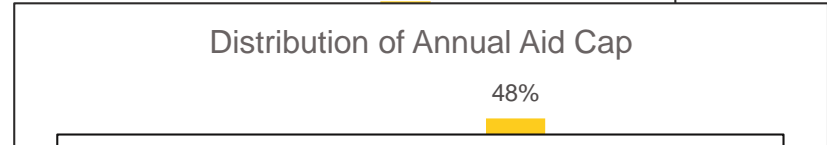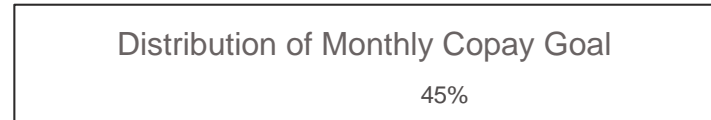**Coupon and Generic Status of 200 Highest-Expenditure Drugs in 2014**

200 Highest Expenditure Drugs in 2014

68 Generics

132 Brand Name

42 No Coupon

90 With Coupons

Couponed Drugs

Brand Name Drugs

8

ORENCIA (abatacept) *on call*
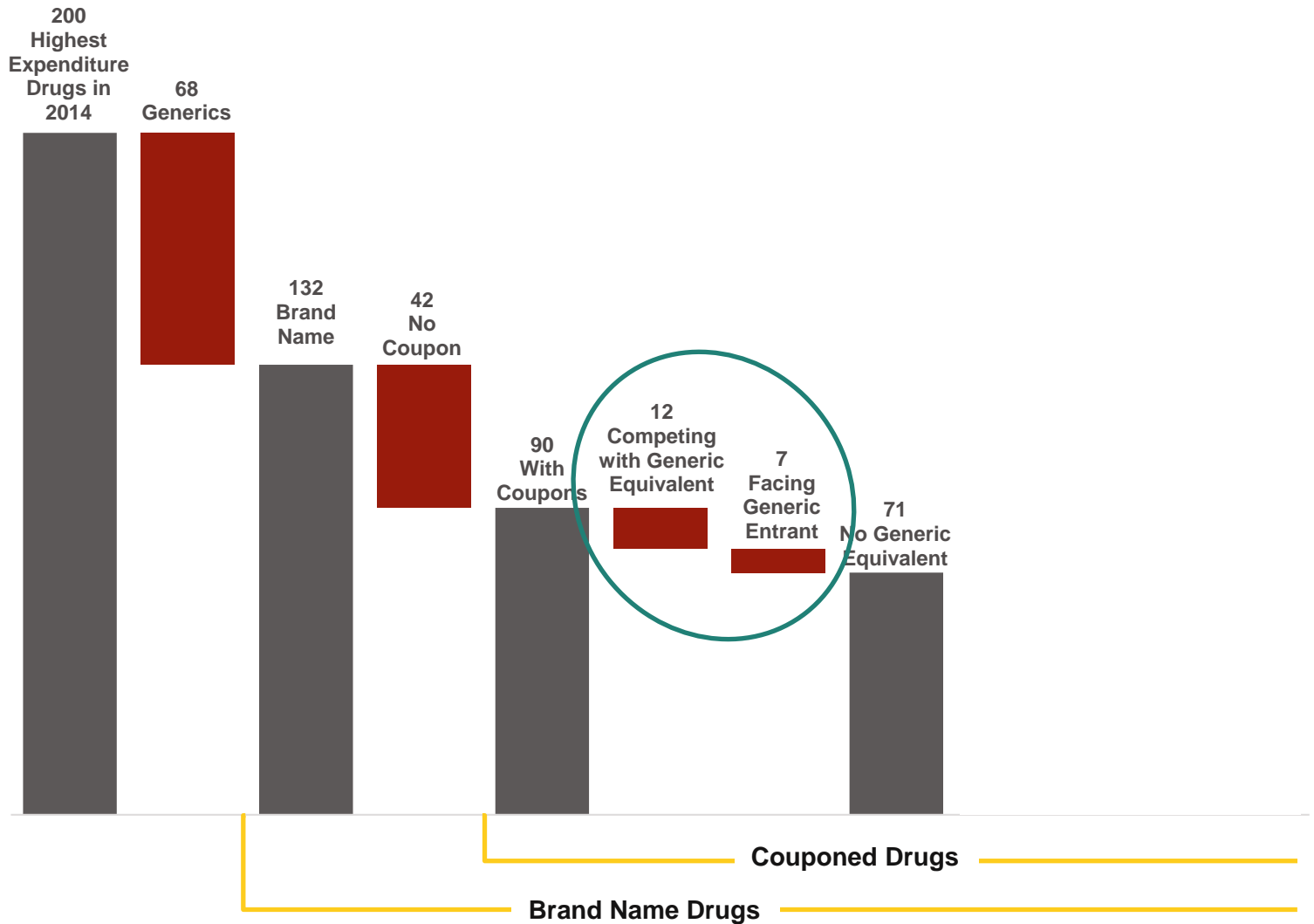
THE ORENCIA® (abatacept) COPAY

The ORENCIA® (abatacept) Copay Assistance Pro[gram]
based program designed to provide eligible patients
out-of-pocket drug costs for ORENCIA.

- Eligible patients pay $5 per [O]
  intravenous (IV) infusion; or
  supply for ORENCIA self-inj[e]

- The ORENCIA Copay Program
  provide reimbursement up to a
  of $8,000 per 12-month enrollm
  time of card activation. The ORENCIA Copay
  Program for Self-Injection benefit includes 12 uses
  per calendar year, up to a maximum benefit of
  $8,000.

- The program covers or
  cost of ORENCIA, not
  the infusions, injections

- Terms and Conditions

Distribution of Monthly Copay Goal

45%

Distribution of Annual Aid Cap

48%

Distribution of Duration

52% — Mention
47% — No Mention

Distribution of Duration Types

33 — Set # Uses
19 — Set Date
15 — Set Duration

Coupon and Generic Status of 200 Highest-Expenditure Drugs in 2014

200 Highest Expenditure Drugs in 2014

68 Generics

132 Brand Name

42 No Coupon

90 With Coupons

12 Competing with Generic Equivalent

7 Facing Generic Entrant

71 No Generic Equivalent

Coupderoned Drugs

Brand Name Drugs

Coupon and Generic Status of 200 Highest-Expenditure Drugs in 2014

200 Highest Expenditure Drugs in 2014

68 Generics

132 Brand Name

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7 Facing Generic Entrant

71 No Generic Equivalent

25 Generic CTS

35 Only Single-Source CTS

11 No CTS

Couponed Drugs

Brand Name Drugs

Close Therapeutic Substitutes of 71 Single-Source Couponed Drugs

Distribution by Type of CTS

- No CTS: 11
- Generic CTS: 25
- Only SS CTS: 35

- No Coupamed Drugs Among LPCTS: 5
- CTS has Couponed Drugs, LPCTS not Couponed: 9
- LPCTS is Couponed: 21

Legend: ■ No CTS   ■ Generic CTS   ■ Only SS CTS
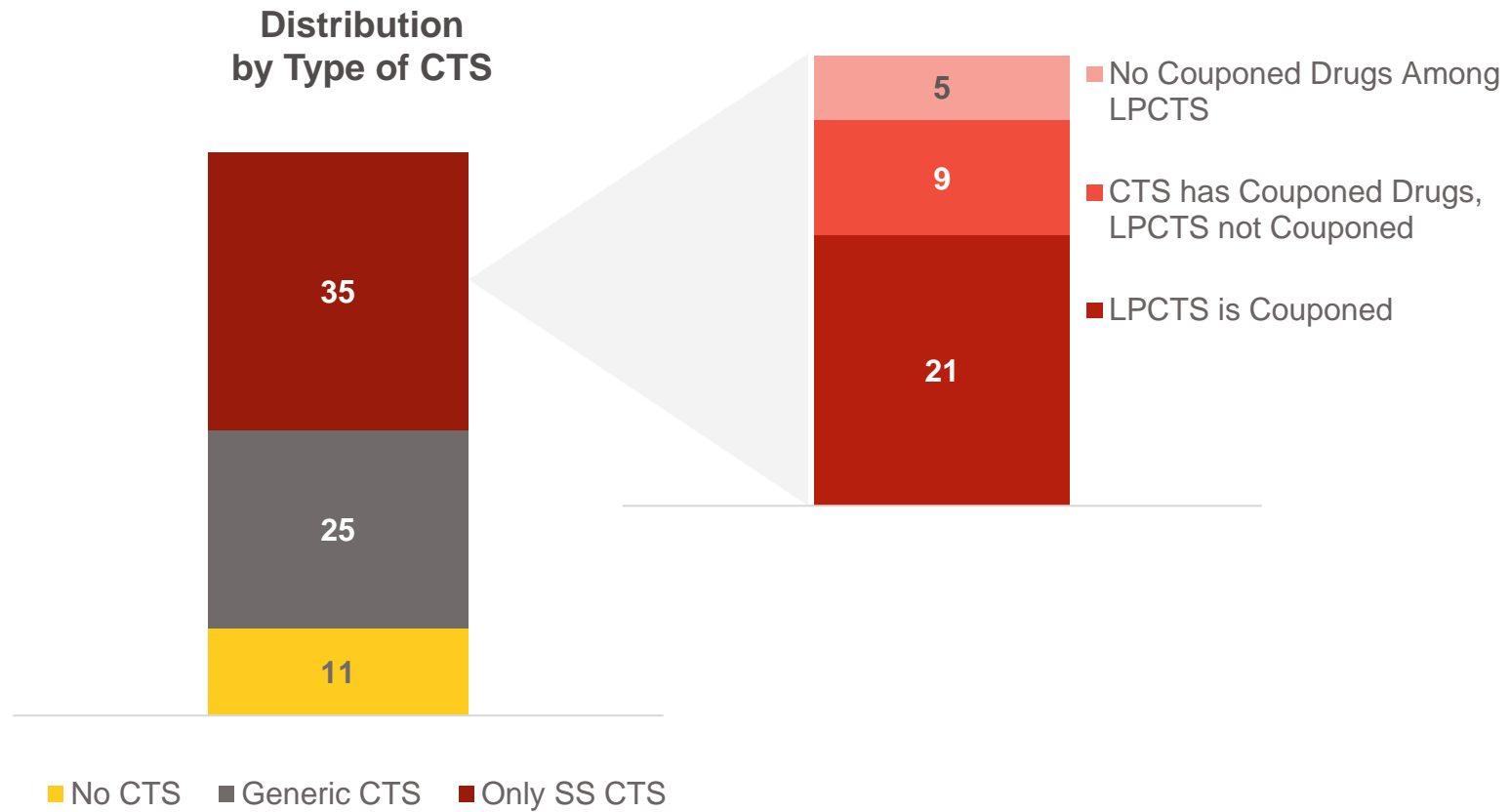
Likely Impact of Coupons on Differing Competitive Landscapes
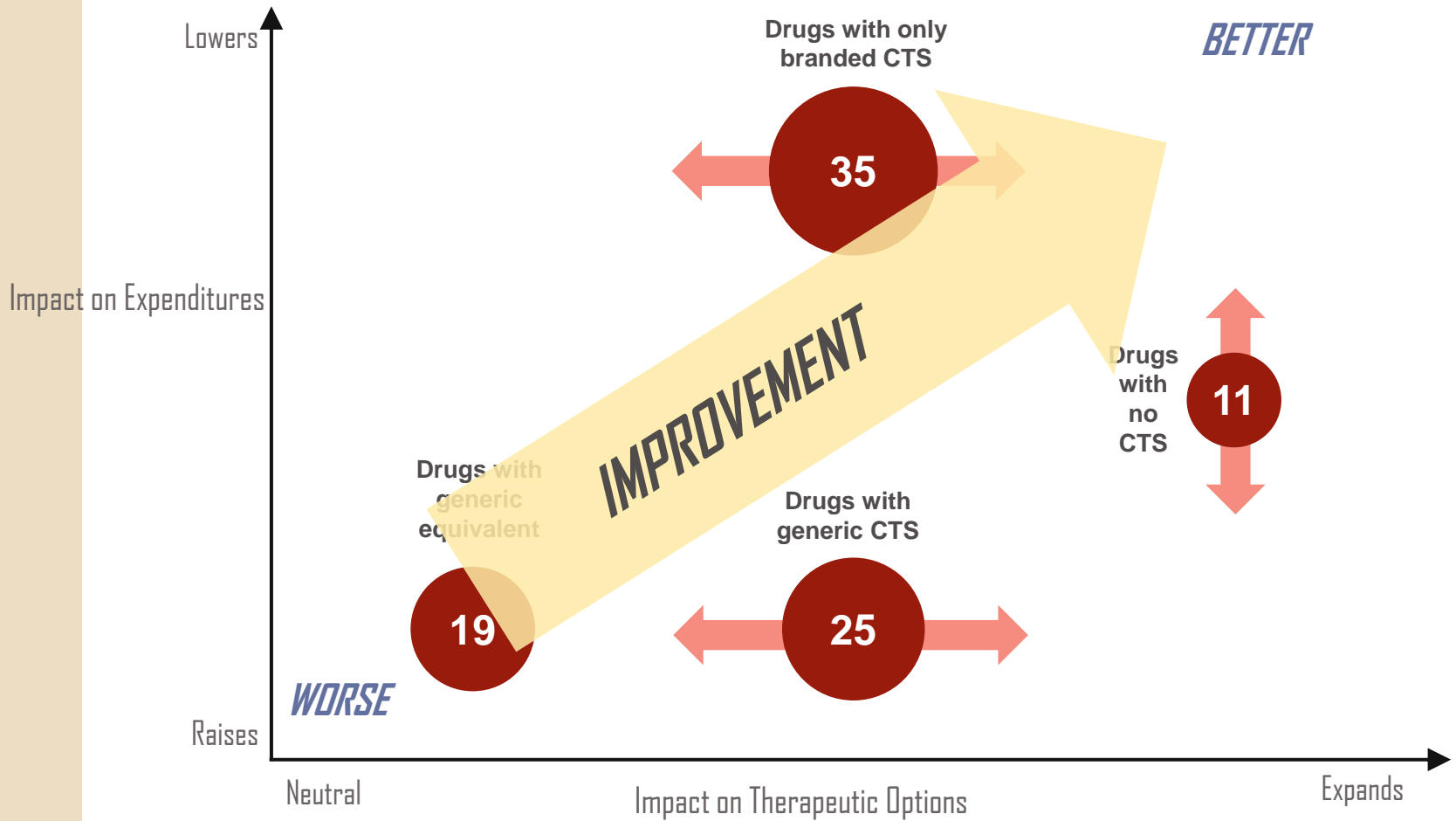
Summary of Findings (2014)

- **Coupons are a strategic response to**

  - Higher patient cost-sharing

  - PBM control and consolidation (pick winners & losers)

- **Can weaken formulary compliance**

  - 1 in 5 coupons steer patients away from generic equivalent

  - 1 in 8 coupons are for single-source drugs with no close therapeutic substitute

  - Remaining coupons (2/3rd) are for drugs with imperfect therapeutic substitutes

    - 40% have a CTS that is generic

    - 60% have only branded CTS (often similar in price; most also couponed)

Total Ban is Unwarranted

- **Coupons are a symptom, not the disease**

  - Ban would reduce access for some patients

  - At least coupons direct savings to the <u>user</u>

- Total ban favors one part of the supply chain (PBMs and payers) over another (manufacturers)

- While many are complicit in rising drug costs

  - Economic rents (profit) should be proportional to the value added

  - Manufacturers take biggest risk and are the primary innovators in the industry

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