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# HEALTH PLAN WEEK

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## Payers Use Formulary Placement, Generic Promos to Counteract Drug Copay Waivers

Many health plans and PBMs say they're growing increasingly alarmed by drug manufacturers' copayment subsidy coupons, through which drug makers cover copays for members with commercial insurance to incentivize them to use brand-name drugs. Although payers say they don't know the impact of such programs, one health plan is launching a study to identify how widely used such waivers are. Meanwhile, plans are adjusting copays for different tiers, using generic copay waiver programs and tweaking contracts with drug companies to counteract such programs.

Coupons are more common for specialty pharmaceuticals, but are used increasingly often for brand-name drugs. For example, enrollees using Astra-Zeneca's statin drug Crestor can get a coupon that limits its out-of-pocket costs to no more than \$25 per month.

"We're seeing more and more pharma companies making coupons available, either directly to the public or through physician offices," says Kevin Slavik, senior director of pharmacy at Health Care Service Corp., which operates Blue Cross Blue Shield plans in Illinois, New Mexico, Oklahoma and Texas. "They steer utilization toward these branded products, and the end result is that it reduces members' out-of-pocket costs, but overall it increases total health care costs because these medications may not be the most cost-effective agent," he tells *HPW*. It "defeats the purpose of our formulary."

There also may be some safety issues, says Brian Sweet, chief pharmacy officer at WellPoint, Inc. He cites as an example short-acting beta-agonists, used as "rescue" medications for asthmatics. "We're trying to advocate controller medications, not rescue medications" for asthmatics. "Yet a copay waiver program may actually encourage...overuse and may actually cause negative health consequences." For example, GlaxoSmithKline offers a coupon on its Web site for the short-acting beta-agonist Ventolin. The drug company will cover up to \$15 per prescription to defray copays for patients with commercial insurance, with a limit of four refills per year.

Copay waiver programs also may contribute to rising drug prices, says Antonia Petitta, vice president of pharmacy care management at Detroit-based Health Alliance Plan. "What's happening to many of these drugs is they're

taking very hard price increases" of up to 20% annually for health plans at the same time that the drug makers are offering direct-to-patient discounts, he contends.

They also may be cutting into the rebates drug companies pay to health plans, Slavik tells *HPW*. "Typically, for a product to be considered preferred [on a plan's formulary], many of the pharma companies offer an additional discount to health plans," he explains. But some "drugs may not have a therapeutic advantage over other agents, so they don't really get preferred formulary status." These drug companies are "investing these [rebate] dollars into coupon programs instead," he reasons.

Unfortunately, it's unclear how many copay waiver programs exist and how popular they are, Sweet says. That's partly because drug companies typically use a claims processor to administer coupon claims, and supply a bank identification number (BIN) on the coupon itself. "Depending on how the pharmacist submits to that BIN number and sends it back to the plan," the copay may appear on the health plan claim to have been paid in cash. "So there's not a consistent methodology," he says.

As a result, WellPoint's HealthCore subsidiary, which performs health outcomes research, is examining the impact of copay subsidies on cost and quality of care for its members. "That's part of our research right now, understanding what other ways we can look at our data and work with our pharmacies" to assess the impact, Sweet explains.

### Payers' Response Varies by Rx

There are several strategies health plans can adopt to lessen the effect of such promotions on utilization of high-cost, high-volume blockbuster medications, said Michael Cartier, executive vice president of Envision Pharmaceutical Services, Inc., a PBM, and George Van Antwerp, general manager of pharmacy solutions at Silverlink Communications, Inc. But for certain specialty drugs, health plans may take the opposite approach, partnering with drug companies to promote copay subsidy coupons that help members pay for costly treatments. That's because many specialty drugs are very expensive and have no generic equivalent.

Speaking at a Nov. 5 audioconference sponsored by AIS, Cartier and Van Antwerp outlined strategies for health plans to respond to coupon programs targeted at non-specialty drugs. Among them, plans can:

- ◆ **Increase the difference** in cost sharing between generics and non-formulary drugs;
- ◆ **Make the consumer pay the majority** of the drug cost even with the coupon, such as by closing the formulary or implementing step therapy;
- ◆ **Ban coupon use** — particularly in tightly controlled retail networks or in mail-order pharmacies;
- ◆ **Push manufacturers to adopt contracts** that tie usage to adherence; and
- ◆ **Offer adherence rewards** to consumers.

Specialty medications, however, aren't the target of aggressive formulary management since most drugs have no competitors or generic versions, Van Antwerp

says. In addition, many drugs are targeted at relatively rare conditions and often are quite costly. As a result, he contends, health plans should use different tactics in responding to coupons for these medications:

- ◆ **Drive consumers** to a limited specialty network;
- ◆ **Partner with manufacturers** to allow coupons where it would be clinically appropriate and would help lower costs; or
- ◆ **Refuse to accept coupons** not provided by the specialty pharmacy directly.

Van Antwerp adds that "health plans should embrace specialty coupons that support cost-effective therapies, reduce copay burden and potentially impact adherence." Humira is one drug that "plans may choose to endorse," Cartier adds.

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