

COPAY ACCUMULATOR PROGRAMS & PHARMA: WHAT'S NEXT?

A closer look at CAPs and how they might affect your brand

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A CLOSER LOOK AT CAPS AND HOW THEY MIGHT AFFECT YOUR BRAND

Dynamics between pharma and the market-based healthcare sector it serves have invariably been complex, with one of the biggest drivers of that complexity being effective management of patient demand and payer systems.

And over time, payer business models are becoming increasingly convoluted. The newest stratagem in this push and pull is the copay accumulator program, or CAP. First introduced in 2018, these programs are now rapidly being rolled out by payers, with data showing that nearly one-third of commercially insured patients are now directly impacted by CAPs - enrolled either in plans that have implemented copay accumulator adjustment or closely-related copay maximizers.

The CAP, with its differing and confusing scopes of application, is one more contour to successfully navigate when attempting to balance clinical and economic value in product development and commercialization decisions.

References

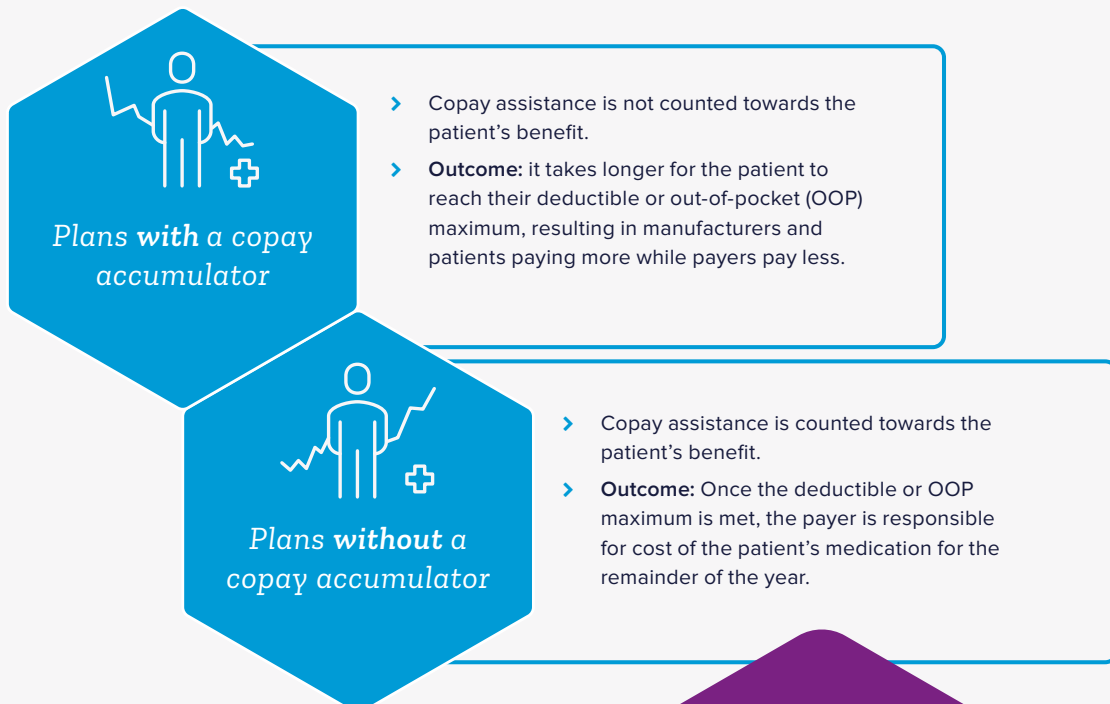
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What is a CAP?

Copay accumulator programs (CAPs) permit employers and PBMs to exclude copay assistance from the calculation of a patient's annual deductible, effectively negating the value of the copay assistance for said patient.

Prior to the introduction of the CAP, payers sought to guide patients toward less expensive treatments by making them pay a higher portion of a drug's costs. Drug-makers responded by increasing the financial aid they offer, in the form of copay assistance, to shield consumers from these rising expenses.

Payers, however, have now turned the tables on Pharma. They are using CAPs to leverage the value of the manufacturer copay coupon, in turn increasing beneficiary cost-sharing amounts to meet deductible amounts.



CAPs can thus drastically impact a manufacturer's specialty brands and their copay support programs. More worryingly, they have the potential to discourage the appropriate utilization of specialty therapies and to reduce adherence through higher out-of-pocket costs for patients.



What do CAPs mean for Pharma?

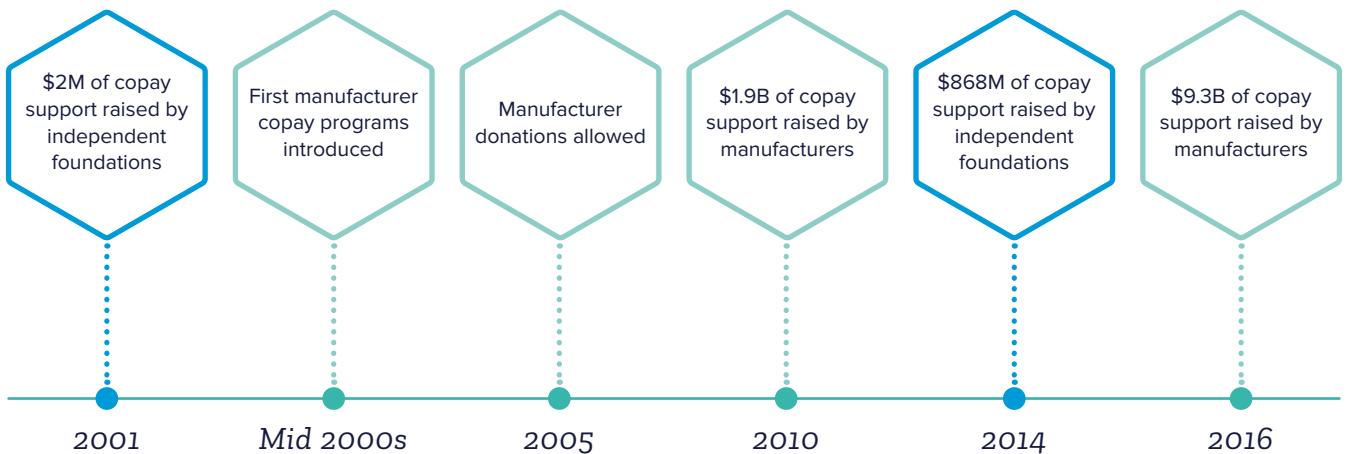
The copay trend looks set to increase. From 2010 to 2016, the amount manufacturers spent on copay support quadrupled, from \$1.9 to \$9.3B. By 2016, nearly one in five claims for branded therapies involved copay program support.

And 2019 looks likely to see payers (including insurers, PBMs, and government agencies) increasingly harnessing their newest benefit design trend.

In many cases, CAPs will most impact those patients on costly specialty medications. Patients undergoing intensive therapies for such chronic, complex illnesses as cancer, rheumatoid arthritis, multiple sclerosis, and HIV are most likely to be affected.

For the payer, the CAP has an obvious advantage. It enables re-directing patients to lower-cost medicines by charging higher copays or requiring coinsurance from the patient. For the patient, it means higher costs and the risk of a negative impact on adherence.

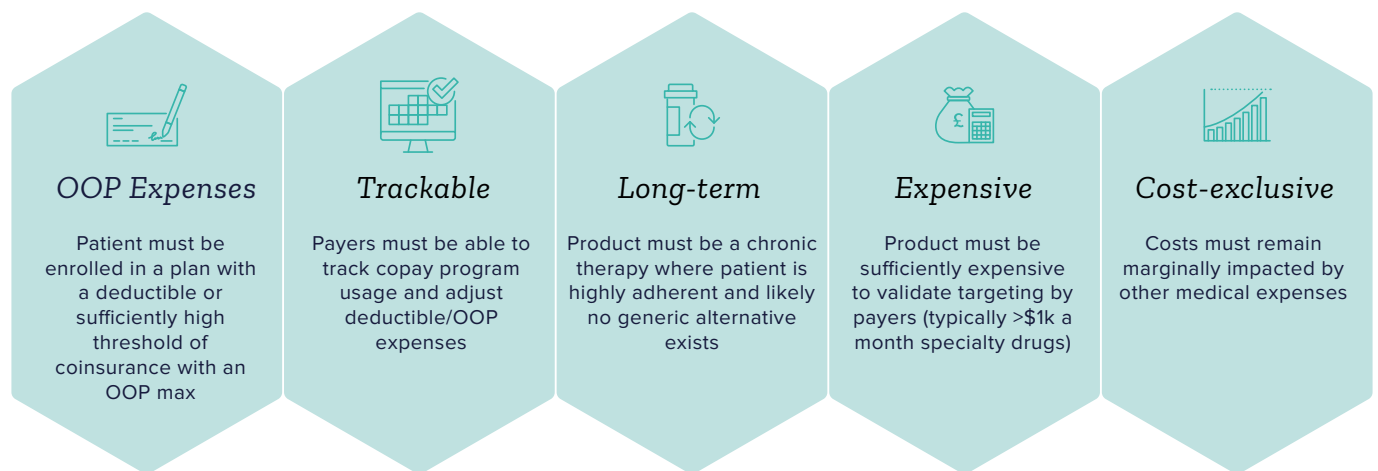
For Pharma, it brings a new market reality. CAPs will be to the detriment of market access, and as with any complex scenario, it seems there's no one-size-fits-all solution to counter it.



Are all CAPs equal?

No - the impact of CAPs varies across brands. However, affected brands do seem to share certain similarities. They tend to be specialty products attractive to payers looking to contain drugs costs. And it is the brands without a cheaper alternative generic product that payers are more likely to target.

Impact: Types of brands impacted by accumulators



Precise data regarding affected brands is not yet available. But monitoring various metrics such as refill adherence, utilization of copay cards, and discontinuation rates may be key to pinpointing which are being impacted. Equally, tracking patient claims going through specialty pharmacies and high-deductible plans will provide answers.

Determining specifically which patients are being singled-out within a given brand's CAP will be crucial to further understanding their impact.

How can Pharma respond to the CAP?

CAP implementation is not homogenous. There is no clear 'magic bullet' or precedent. To mitigate the CAP effect, manufacturers will have to employ creative thinking and investment.

Some relief may be in sight given the scrutiny CAPs have stirred up over the shift of costs toward patients and manufacturers. As debate over prescription drug costs and pricing reforms rage, legislation is taking place at both the state and federal level to restrict CAPs. Several states are considering legislation on accumulators and a few have already passed laws that explicitly prohibit the use of CAPs, regardless of generic availability.

The 2019 CMS Final Rule (set to take effect Jan. 1, 2020) bans copay accumulators when a generic is not available. However, it still permits them in certain instances where a generic is available.

It's worth noting that for the top 200 selling drugs, of the 90 that had copay coupon support, 49% had a generic equivalent available at lower cost - these are the brands that would suffer from the restrictive aspect of the CMS Final Rule. A further 51% had no generic and would therefore benefit from this legislation.

Further strategies have been suggested: some are alternative approaches such as narrowing formularies or contracting with manufacturers for preferred therapies. But these routes may pose compliance challenges and may not target the root issue of increased patient financial burden.

PayTech vendors also appear set to propose a range of solutions for mitigating CAPs, but these vary by their breadth and customizability, as well as cost, speed, and implementation.

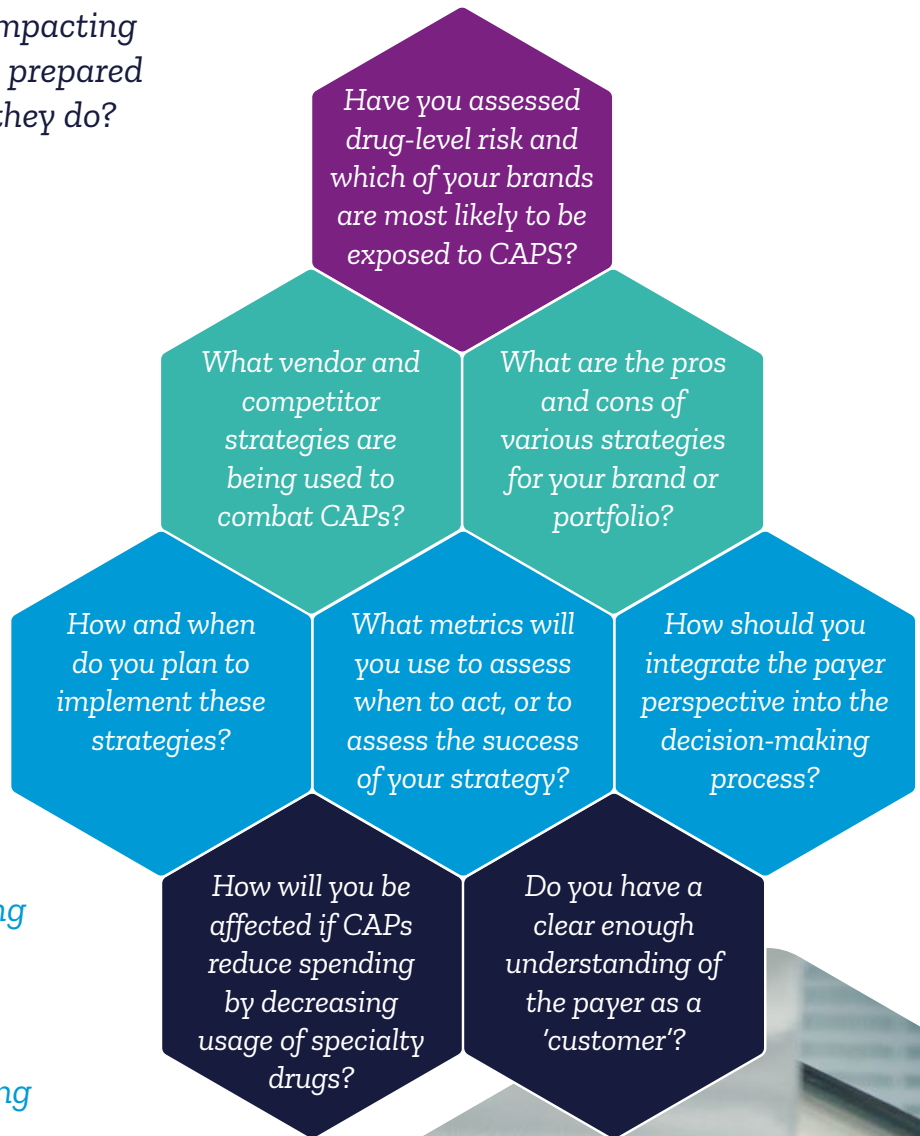
What is certain is that the future of CAPs is yet to play out. For now, at least, they are positioned to have a substantial impact on the way prescription drug costs are distributed across key stakeholders.



What questions should you be asking to get ahead of the CAPs curve?

How are accumulators impacting your brand? And are you prepared for what happens when they do?

Knowing the answers to these questions will be key to staying ahead of the CAPs curve.



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