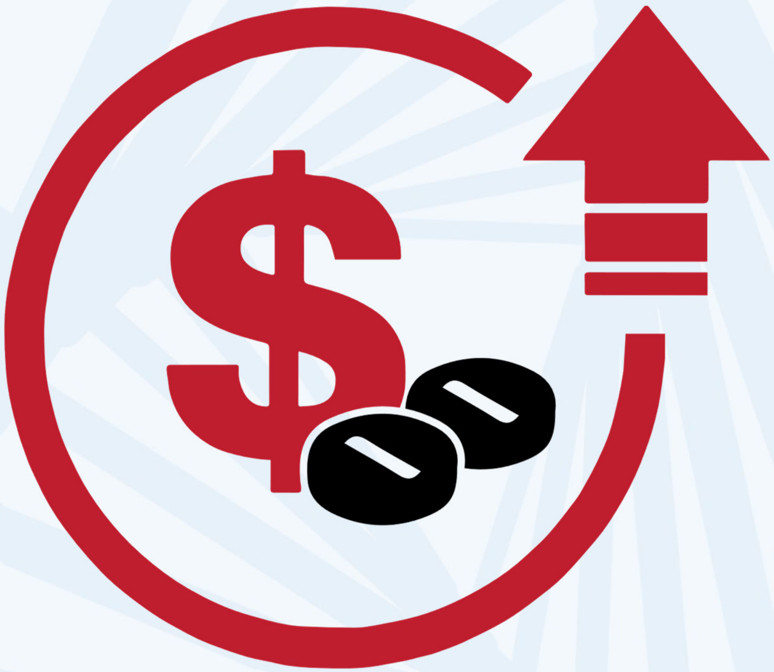
Manufacturer Coupons Increase Prescription Drug Spending by Billions

Coupons increase prescription drug costs by $32 billion over a decade. Here's how and what can be done to help.

February 2021

Coupons and other forms of patient assistance offered by drug manufacturers keep prices high and increase the costs patients pay, making it harder for patients to afford their prescription drugs and health insurance overall.

Every patient should be able to afford their medications.



The Problem:

The prices of drugs for which manufacturers offer coupons are going up **12-13% per year,** as compared to 7-8% for non-couponed drugs.

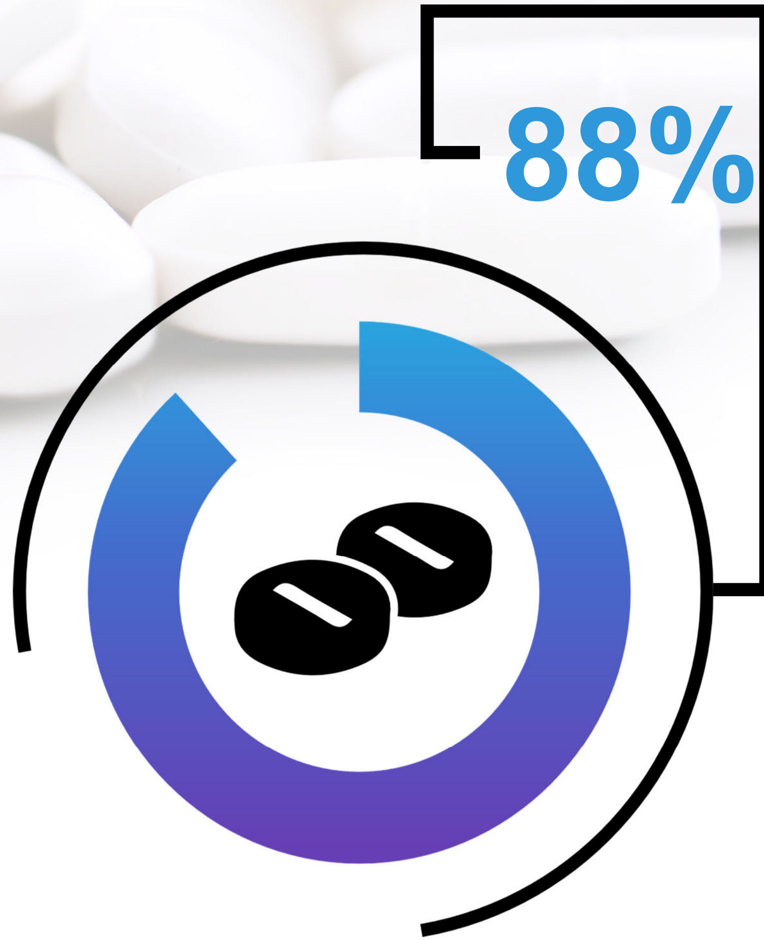
Leemore Dafny, Christopher Ody, and Matt Schmitt. “When Discounts Raise Costs: The Effect of Copay Coupons on Generic Utilization.” The National Bureau of Economic Research. (October 2016).

Why?

Brand-name drug manufacturers offer coupons to steer patients to use (or switch to) their more expensive drug instead of an equally effective, more affordable generic or brand alternative.

U.S. Department of Health and Human Services Office of Inspector General. "Manufacturer Safeguards May Not Prevent Copayment Coupon Use for Part D Drugs." Report OEI-05-12-00540. (September 2014); and Commonwealth of Massachusetts. "Prescription Drug Coupon Study: Report to the Massachusetts Legislature." (July 2020).

A USC Schaeffer analysis of the top drugs by spending found that 88% of brand drugs with manufacturer coupons were for medications for which lower-cost generics or brand alternatives were available.



Karen Van Nuys, Geoffrey Joyce, Rocio Ribero, and Dana Goldman, USC Schaeffer Center for Health Policy & Economics. “A Perspective on Prescription Drug Copayment Coupons.” (February 2018). https://healthpolicy.usc.edu/wp-content/uploads/2018/02/2018.02_Prescription20Copay20Coupons20White20Paper_Final-2.pdf

Consider a $2,250 brand-name drug (for a 30-day supply):

Manufacturers set the prices of their prescription drugs. For example, a manufacturer may price a brand-name drug at $25 per pill, or $2,250 for a 30-day supply (at three pills per day).

Private negotiations between plan sponsors and manufacturers inform price concessions (“rebates”) and formulary placement (“tier”) strategies.

When there are more affordable generics or brand alternatives, the plan sponsor places that more expensive drug on a nonpreferred or specialty tier that imposes 25% coinsurance up to the plan’s annual out-of-pocket (OOP) limit.

To incent patients to use their drug instead of a *more affordable* option, the manufacturer makes available a coupon that limits the patient’s OOP costs to $100 per 30-day supply (instead of $562.50, or 25% of $2,250), with the manufacturer paying the difference ($462.50) to the pharmacy.

But the plan sponsor must still reimburse the pharmacy the remaining 75%, or $1,687.50 for this higher cost brand—***raising costs for everyone***.

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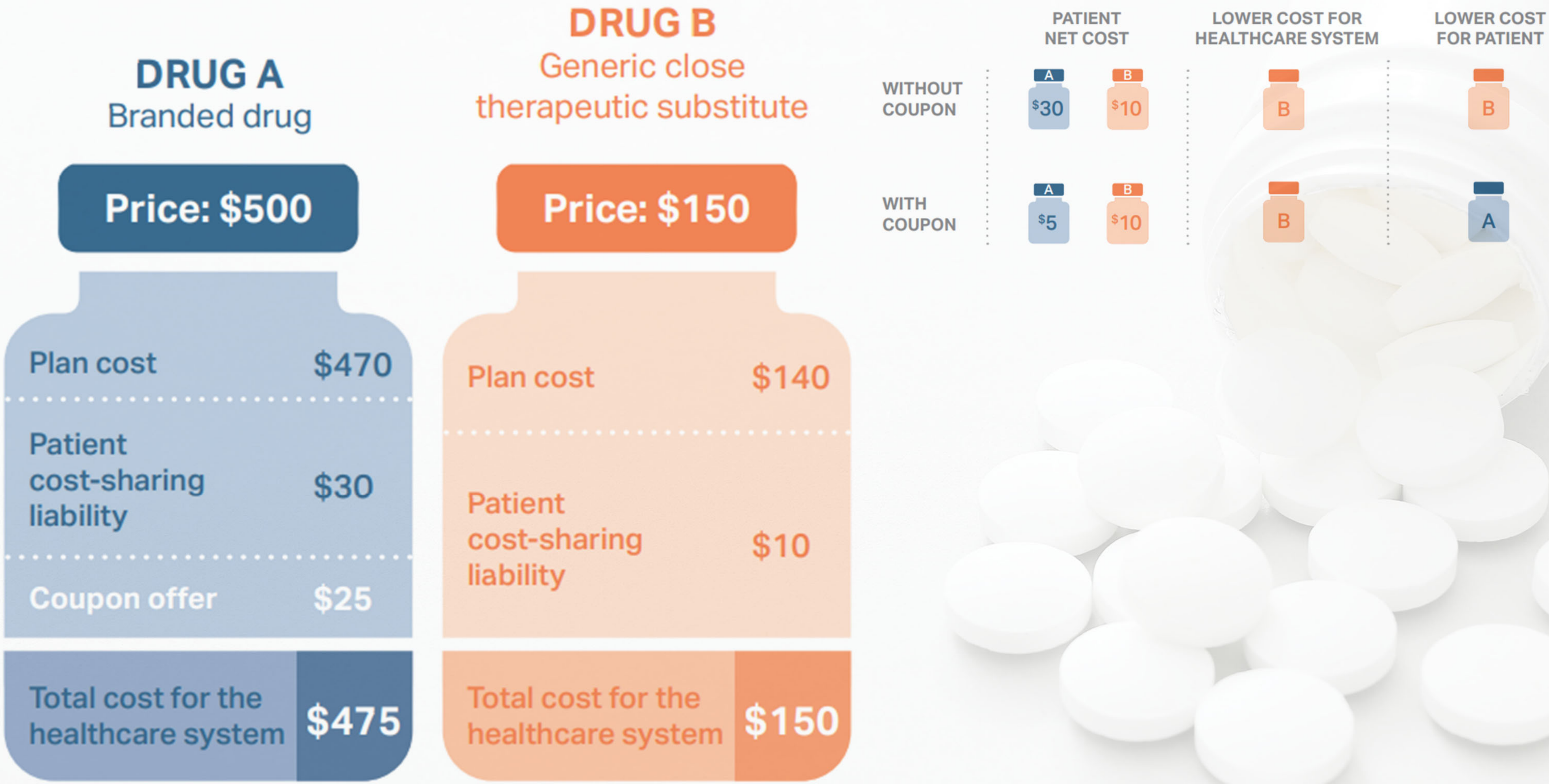
How Manufacturer Coupons Change Financial Incentives for Patients



Commonwealth of Massachusetts. "Prescription Drug Coupon Study: Report to the Massachusetts Legislature," Exhibit 11. (July 2020).

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Coupons are banned in federal programs as illegal kickbacks, but largely allowed in the commercial market.

Federal Healthcare Programs

- Medicare
- Medicaid

BANNED

Federal and State Employees

- FEHBP
- State Employee Benefits Programs

PERMITTED

SEBP is subject to state law

Commercial Insurance

- ERISA
- ACA Regulated
- Non-ACA Regulated

PERMITTED

California and Massachusetts banned coupons for brand drugs where a generic is available.*

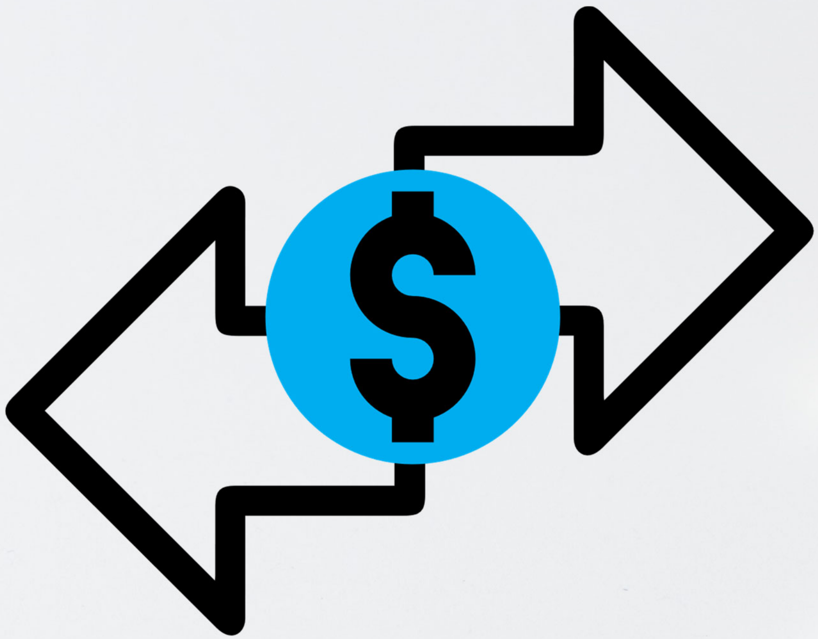
The 2012 Massachusetts law authorizing commercial use of manufacturers coupons unless the drug has an "AB rated" generic equivalent also contained a sunset provision, under which the law would have been repealed on July 1, 2015. However, this date of repeal was postponed several times and ultimately extended to January 1, 2021. The state of New Jersey and New Hampshire also considered a coupon ban in 2018 and 2019, respectively.

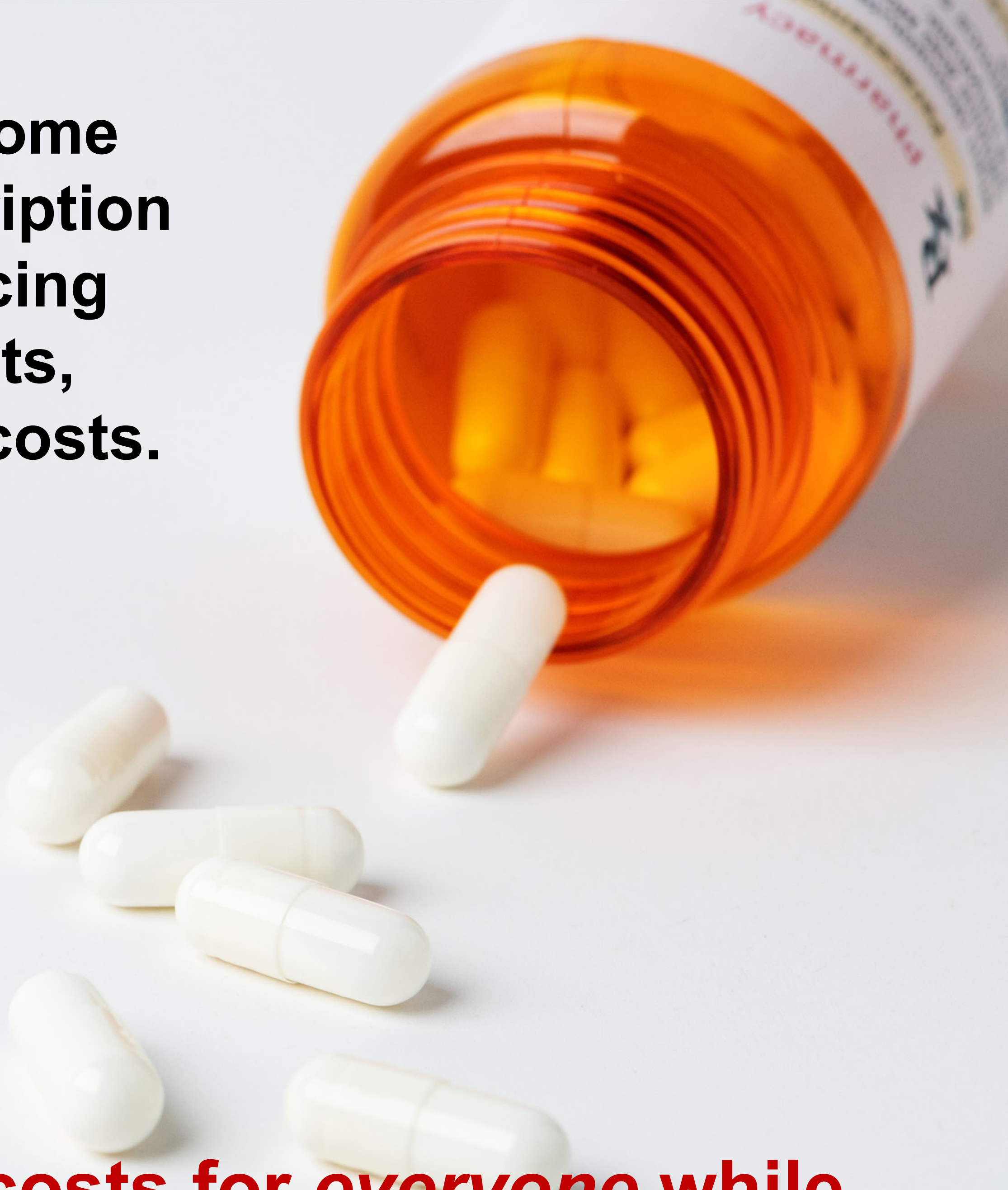
What is the *real* impact of coupons on patients and overall drug spending?

- If Medicare's ban on coupons were not enforced, taxpayer costs would increase by **$48 billion** over a 10-year period.
- For commercial plans offered by employers, unions, and others, coupons raise costs by **$32 billion**.
- Use of coupons for 14 drugs in Massachusetts' commercial market raised costs by an estimated **$45 million***, or **$3 million per drug**.

* This calculation excludes the financial impact of coupons on the much larger number of drugs with generic alternatives not included among the 14 drugs, drugs with lower-cost branded alternatives, and drugs with no alternatives. See: Visante. "Drug Manufacturer Coupons Raise Costs in Medicare Part D, Hurting Vulnerable Beneficiaries." (May 2020); Visante. "How Copay Coupons Could Raise Prescription Drug Costs By $32 Billion Over the Next Decade." (November 2011); and Commonwealth of Massachusetts. "Prescription Drug Coupon Study: Report to the Massachusetts Legislature." (July 2020).

While coupons may help some patients afford their prescription drugs by temporarily reducing OOP prescription drug costs, they do not reduce *actual* costs.





Coupons raise drug costs for *everyone* while increasing profits for manufacturers.

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Going outside of the plan benefit to use coupons poses safety risks and deprives patients of critical clinical services that improve health outcomes.

These services are only possible when plans have full visibility into patients' drug regimens.

- Preventing adverse drug events and errors
- Improving drug therapy and patient adherence to treatment plans
- Reducing gaps in patient education and engagement
- Assisting physicians in managing complex medication regimens

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The Solution:

The simplest, most effective way to lower patients' drug costs is for manufacturers to lower their prices.

PCMA supports programs that facilitate more affordable access to specialty and high-cost prescription drugs—not marketing schemes that undermine efforts to lower costs.