

The High Costs of Alternative Funding Programs

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Alliance for
Patient Access



Introduction

In the United States, health insurance is meant to reduce patients' financial risks if they require expensive medical services. It often fails to do so. The problem is particularly acute for patients who need expensive prescription medications.

Now a new type of program is making the problem worse.

Third-party vendors are promoting what are known as alternative funding programs — and applying them to high-cost specialty medications. If allowed to grow unchecked, these programs will continue to hurt patients, impact the broader health care system and worsen the already dysfunctional drug pricing market.

Alternative Funding Programs: Redirecting Coverage Responsibility

Alternative funding programs are designed to allow employers, particularly companies with medium-sized self-funded health plans, to reduce the cost of covering specialty medications.

These specialty medications account for 51% of total pharmacy spending, according to Evernorth's book of business, though they are used by less than 2% of the population. Plan sponsors spend about \$38,000 a year to cover a patient's specialty drug as compared to \$492 for a non-specialty drug.¹

With alternative funding programs, companies avoid these health care costs by redirecting the responsibility of covering certain specialty drugs.

What is a specialty drug?



A specialty drug is a high-cost prescription medication used to treat a chronic or complex disease. Patients with cancer, arthritis or MS might use a specialty drug.



How Alternative Funding Programs Replace Insurance



Employer-sponsored health plans revoke coverage of high-cost drugs.

First, alternative funding vendors advise health plans to remove specific high-cost drugs, typically specialty medications, from their formulary of covered drugs by categorizing the medications as “non-essential health benefits.”

With the drugs carved out of the plans, insured patients are now effectively uninsured with respect to the medications in question.



Affected patients require financial assistance. Now that the patients lack coverage for their prescribed medication, they may become eligible for certain patient assistance programs. These charitable funds are sponsored by pharmaceutical manufacturers or nonprofits to provide low-income and uninsured people access to their prescription drugs, particularly expensive medications.



Alternative funding program enrolls patients in assistance program.

To help patients access their medication, the alternative funding vendor tries to enroll affected patients into a charitable patient assistance program. While the intention is to provide patients with equivalent service, the practice can trigger a number of complications, such as jeopardizing patients’ health.



Assistance, not insurance, covers patients’ medication costs.

If all goes according to plan, the assistance program covers most or all costs, patients receive their medication, and the employer-sponsored health plan sidesteps the high cost of the drugs.

In practice, however, alternative funding programs **rarely work as planned.**

What are Patient Assistance Programs?



Programs designed to help vulnerable patients access their prescribed medications at steeply subsidized rates or, in some instances, for free

Impact on Patients

Alternative funding programs can introduce unintended consequences for patients.

Treatment Delays

Enrolling in a patient assistance program is a time-consuming and labor-intensive exercise that can create treatment delays lasting two-to-four weeks — or longer.² Delayed treatment worsens health outcomes. For instance, a study in the British Medical Journal found that delaying cancer treatment by just four weeks can lead to a 6-13% higher risk of dying.³

Even if the alternative funding program works as intended, and the patient is enrolled into the appropriate patient assistance program, the delay in care can have adverse health consequences.

The Income Gap Trap

Some patients face an even more complicated situation.

Alternative funding programs funnel working people with health insurance into patient assistance programs. But because patient assistance programs are intended to serve low-income and uninsured patients, many of the programs consider income to determine who qualifies for assistance. Some working people, including those who are far from wealthy, will earn too much income to qualify.

When patients don't qualify, they are forced into an even more protracted and uncertain process to gain access to their medically necessary treatment.

In these situations, an employee's insurance plan will typically cover the medication. Even if this happens, however, the patient will have faced treatment delays and unnecessary health risks.



Increased Out-of-Pocket Costs and Red Tape

Alternative funding programs can also lead to higher out-of-pocket costs for some patients.

Even when patients do qualify for patient assistance, that assistance maxes out at a certain dollar amount. Patients who reach that threshold may then be on the hook for thousands of dollars out of their own pocket.

In these cases, the alternative funding program shields employers and health plans from their share of the costs but at the expense of the patient, who now faces significant costs. In short, the programs violate the precepts of what health insurance is supposed to do — protect patients from unmanageable financial obligations if they require expensive health care treatments.

Alternative funding programs cause patients' insurance to fail them at precisely the moment that services are required.

Financial costs are not the only burden that patients encounter. Navigating alternative funding programs is complex. Managing this process requires time and effort from patients when their focus should be on fighting their disease, not fighting health care bureaucracy.

Reduced Quality of Care

Another danger arises from the fact that patients rely on third-party alternative funding vendors for access to their medication. If a patient assistance program is not available, alternative funding programs may import prescription medications from international sources. These overseas sources are outside of the secure drug supply chain. Patients could unknowingly become exposed to drugs that lack safety and efficacy guarantees.⁴

In sum, alternative funding programs often worsen patient outcomes because they turn insured patients into uninsured patients. The alleged lifeboat provided by an alternative funding program is an inadequate substitute for proper insurance.

Patients could be exposed to drugs that are **unsafe or ineffective**.



Harm to the Broader Health Care System

Alternative funding programs can also harm the broader health care system, as well as employers themselves.

Diverting Resources Away from the Truly Needy

These programs divert patients who are neither low-income nor uninsured into patient assistance programs. In other words, alternative funding programs generate savings for employer-sponsored health plans by misusing charitable programs.

Like any charitable endeavor, patient assistance programs do not have unlimited resources. Alternative funding programs, therefore, create an inevitable zero-sum game. Patients who are technically insured but lack coverage for their prescription medication must now compete with low-income patients and uninsured patients for limited assistance funding.

Inevitably, alternative funding programs divert resources meant for vulnerable patient populations to patients who have higher incomes and, notably, health insurance. The patients who have been switched onto alternative funding programs face a greater risk of not receiving their medication, while the truly vulnerable patients that patient assistance programs are designed to help now risk not receiving their medication either.

These risks undermine the very purpose of patient assistance programs: to improve patients' access to needed medicines.



Alternative funding programs **divert resources intended for vulnerable patients.**

Introducing New Challenges for Employers

Alternative funding programs can also introduce problems for the very employers they were designed to serve.

The vendors running these programs create an additional and unnecessary layer of bureaucracy. The costs for managing the bureaucracy can be significant and must be borne by someone — typically the employer-sponsored plan. As a result, employers do not reap the full savings they envisioned. A large percentage of the savings is instead pocketed by a new class of industry middlemen.

Meanwhile, employers who do reap cost savings often do so at the expense of their employees' health. Treatment disruptions and health complications can contribute to absenteeism, presenteeism or staff turnover.

Worsening the Drug Pricing System

Alternative funding programs also worsen the problems created by the complex and opaque drug pricing system. The excessive number of intermediaries, coupled with the ineffective drug rebate system, bloats expenses system wide and raises patients' out-of-pocket costs. Alternative funding programs exacerbate the problem by increasing the number of patients without health insurance — at least with respect to their prescribed medication.

Employers who reap cost savings often do so **at the expense of their employees' health.**



Impact on the Flawed Insurance System & Medical Debt Loads

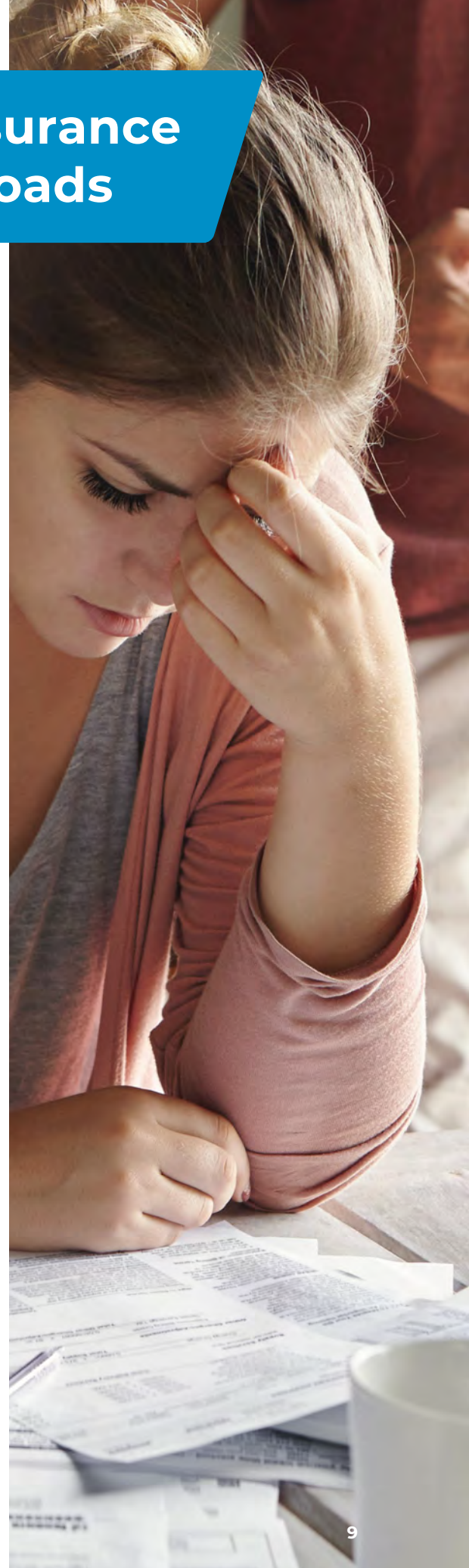
Alternative funding programs also pose broader challenges for the larger health insurance system.

Even before alternative funding programs, patients covered a growing share of their medical expenses through rising premiums, increased deductibles, co-payments and coinsurance.

The 2022 Kaiser Family Foundation Employer Health Benefits Survey examined the required level of patient cost sharing for various prescription drug coverage plans.⁵ For plans with three or more tiers — groupings of drugs based on whether they are generic, preferred branded drugs, non-preferred branded or specialty drugs — the average coinsurance rate ranges between 18% and 37% of the cost of the drug.⁶

Exposure to excessive medical costs drives the medical debt problem that too many families face already. In total, the United States has an \$81 billion medical debt crisis, according to a study by the Stanford Institute for Economic Policy Research,⁷ with the average medical debt equaling \$2,424.⁸ These findings align with U.S. Census data showing that 19% of U.S. households carry medical debt, which averages about \$2,000.⁹

Since alternative funding programs can increase patients' out-of-pocket obligations and burden them with additional financial costs, these programs threaten to worsen the medical debt and medical bankruptcy problem that already plagues patients in the United States.





Conclusion

Alternative funding programs help employer-sponsored health plans dodge the costs of some specialty medicines, but only by harming patients, generating unintended consequences and exacerbating problems that already plague the health care system.

The issues posed by alternative funding programs can be effectively addressed by increasing transparency. Insurers should be required to clearly inform patients when alternative funding programs have been adopted, identifying the specific drugs and diseases that the program impacts. Patients should also be informed about the risks that these programs introduce for them.

In addition, policymakers should explore under what circumstances alternative funding programs constitute a breach of insurance contract. In particular, scenarios in which alternative payment programs risk patient outcomes in an attempt to lower health plan expenses may warrant further consideration. In addition, the Centers for Medicare and Medicaid Services should clarify that specialty drug coverage is an essential health benefit under the Affordable Care Act.

Alternative funding programs represent another instance where health insurance fails to serve its fundamental purpose — to mitigate the financial risks that arise when patients require expensive health care treatment. Reining in their use or eliminating alternative funding programs altogether will improve patient outcomes and avoid compounding problems that already plague the health insurance system.

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The Alliance for Patient Access is a national network of policy-minded health care providers advocating for patient-centered care.

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