

## THE LOOMING THREAT OF ALTERNATIVE FUNDING MODELS

The promise of lower specialty drug spend...but at what cost?

### HEALTH CARE COSTS: AN ONGOING PROBLEM FOR ALL STAKEHOLDERS

Developing ways to address rising health care costs and drug spend has been a focus for all industry stakeholders for many years. In particular, payers, pharmacy benefits managers (PBMs), and employers are **constantly evolving their attempts to mitigate costs via utilization management tactics.**

#### THE EVOLUTION OF PAYER COST MITIGATION STRATEGIES

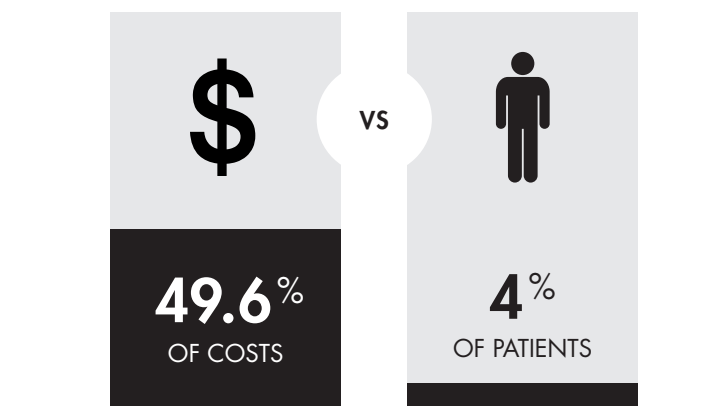


Many of these methods meet the goal of driving down drug costs for employers and payers—but are **often detrimental to patients**, resulting in increased patient cost share and reduced adherence.

### SPECIALTY DRUG SPEND: AN EASY TARGET

Specialty drugs are often a focus for cost mitigation techniques because of their **high cost but low utilization** within the overall population.

However, specialty drugs are often the only treatment that can be used for certain conditions—and there are often no lower-cost alternatives available.



**SPECIALTY DRUGS CONTRIBUTE TO ALMOST HALF OF THE NATIONAL DRUG SPEND WHILE ONLY 4% OF THE POPULATION ARE PRESCRIBED SPECIALTY DRUGS<sup>1,2</sup>**

### ENTER THE ALTERNATIVE FUNDING MODEL

Several PBMs and third-party vendors are targeting smaller, self-pay employers to implement a new type of cost-saving measure: **alternative funding models.**

These models implement a **specialty carve-out that requires patients to use manufacturers' patient assistance programs to gain access to their prescribed therapies.** The vendors generally charge employers a per-patient fee or a percentage of the financial assistance savings for their services.

## HOW ALTERNATIVE FUNDING MODELS WORK



### SET UP

A **specialty carve-out** is put into place for a select set of specialty drugs, so these drugs are no longer covered by the health plan. Most of these carve-outs include about 300 products.



### LOSS OF COVERAGE

The patient becomes **functionally uninsured** for the carved-out products and receives a **denial for the prescription**.



### ALTERNATIVE FUNDING OPTIONS

The **alternative funding vendor** contacts the patient to begin the enrollment process for a manufacturer patient assistance program to secure either **free drug or financial assistance** for the uncovered drug.



### APPROVAL

If accepted, the **patient receives their specialty drug** via the patient assistance program, which may take 2 to 4 weeks.

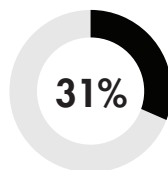


### DENIAL

If not accepted, the plan generally covers the specialty drug via an **exception process**.

## THERE IS GROWING INTEREST IN ALTERNATIVE FUNDING MODELS

AS OF  
**2021**



of plan sponsors were exploring their use.<sup>3</sup>

## ALTERNATIVE FUNDING MODELS COME WITH SIGNIFICANT RISKS TO PATIENT ACCESS

Alternative funding models **exploit the true intent of patient assistance programs**, which were created to help patients who genuinely could not afford the cost of care—not to save money for plan sponsors.

Manufacturers earmark a set amount of their budget for these programs and do not necessarily account for increased use by insured patients who should have coverage for these products. Some may not be able to—or have the desire to—increase their budgets in response to this increased utilization.



Continued proliferation of alternative funding models could **limit the availability of patient assistance programs**, taking away an important means to treatment for patients in need.

### POTENTIAL RISKS

#### For patients:

- Lack of continuity of care, delayed care, or adherence issues—and related impact on clinical outcomes
- Effects on health equity and social determinants of health
- Increased financial and administrative burden
- Privacy concerns

#### For employers:

- Potential increase in downstream costs due to effects on clinical outcomes
- Hidden fees and costs from changes to rates, rebates, and savings programs
- Increased administrative burden from appeals for expanded coverage and coordination between PBMs and third-party vendors
- Potential for ERISA- or IRS-related compliance issues

#### For prescribers, office staff, and pharmacists:

- More frequent patient questions and increased practice administrative burden
- Lack of control over clinical decision-making
- Potential impact on patient adherence and therefore health outcomes
- Privacy concerns

#### For manufacturers:

- Sustainability of patient assistance programs
- Hindered market access
- Poor patient access
- Diminished public opinion

## HOW TO HELP LOWER THE RISKS OF ALTERNATIVE FUNDING MODELS

### EXTERNAL COMMUNICATIONS/PARTNERSHIPS

**Employers:** communicate risks associated with alternative funding models

**Payers/PBMs:** discuss implications for compliance, contracts, and rebates when offering these programs

**HCPs and patients:** clarify eligibility for patient assistance programs and provide education regarding how to manage plans with alternative funding models

**Expanded network of stakeholders (eg, social workers, advocacy groups):** educate about the challenges and repercussions of alternative funding models

### INTERNAL EDUCATION/OPERATIONS

**Educate field teams** about these programs, including guidance for how to communicate about them with various customer groups

**Analyze the impact** of these programs on patient assistance programs and evaluate mechanisms to control their use

**McCANN**  
HEALTH

MANAGED MARKETS

AN IPG HEALTH COMPANY

### HOW WE CAN HELP

At McCann Health Managed Markets, we passionately take on challenges and create solutions so patients can get the therapies they so rightfully deserve. Turn to us to learn how to prepare your organization for the increase in alternative funding models, including strategic planning and internal/external communications.

**973.917.6500 | MCCANNHEALTHMM.COM**