2020 Virtual Advocacy Event

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The following slides were presented during the educational portion of IFFGD's 2020 Virtual Advocacy Event. To view this presentation and the all videos available during this program, please visit https://bit.ly/Adv_Edu.

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2020 Virtual Advocacy Event

Lifecycle of a Drug: Pricing and Paying

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Prescription drugs in the US

Account for about 17% of all health care spending

Costs more than $370 billion per year, exceeding all other countries

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Why do different people pay different prices for the same medication?

- **Discounts can be mandated**
  - If the government is the payer, rebates and discounts are mandated
- **Discounts can be negotiated**
  - If there is a third-party payer (such as insurance), discounts are negotiated
- **Discounts can be offered freely**
  - Many pharmaceutical companies offer direct financial assistance to patients to help cover their out of pocket costs

However, all discounts are based on the official list price determined by the company before hand

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How does a pharmaceutical company determine a list price for a drug?

- **What is the clinical value?** Is this drug helping people live longer? Is it helping them live better?
- **What is the competition?** How does this drug compare to the competitors?
- **How will payment be made?** Will insurance companies pay for the drug? Can patients afford the copay? What is the average copay for a patient? What are other drugs priced at?
- How much will the company have to give in **government-mandated discounts**, such Medicaid?
- **What are the cost-of-doing-business discounts** to Pharmacy Benefit Managers or wholesales?
- **What is the size of the market**? This is why some drugs for extremely rare diseases are incredibly expensive.

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Formulas used to create a list price

COST-BASED PRICING

VALUE-BASED PRICING

COMPETITOR-BASED PRICING

SKIMMING PRICING

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Cost-based pricing

expenses incurred to bring a product to market
such as research, development, manufacturing, packaging, distribution and sales & marketing costs

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acceptable profit
(based on the company's own objectives or target, or what is usually acceptable for the type of product and market)

Cost-Based Pricing is frequently used for medical devices and sometimes for diagnostics but generally not for drugs.

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Value-based pricing

the needs and desires of the manufacturer

the needs and desires of consumers.

There are two ways of looking at value-based pricing:

- First – use market research to determine what the perceived value of the product is to the consumer and price accordingly
- Second – use lots of data … research what the current consumers are paying now for their healthcare costs, and then price your product below that to show your product will reduce payer burden.

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Competitor-based pricing

If there is a similar product already on the market - match (or come close to) the price of the competition and hope that marketing strategy can gain more consumers

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Skimming pricing

Simply put – Set the maximum price possible in an attempt to gain as much profit as possible.

- However, this only works if the product has very little or no competition in the marketplace.
- The challenge is to maximize the price but keeping it low enough that no one will notice and cause a public relations nightmare by showcasing it

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We have a list price… now what?

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Pharmacy Benefit Management (PBM) *companies serve as the middlemen between insurance companies, pharmacies and manufacturers securing lower drug costs for insurers and insurance companies. PBMs do this through negotiating with pharmacies and drug manufacturers to secure discounts on drug prices, then pass these discounts along to insurance companies, slightly up-charging the drugs or retaining portions of rebates in order to secure profit.*

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What about Insurance?

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Finding an insurance plan that covers your prescriptions

To find out if your prescriptions are covered by a health plan, you will need to look at the plan's **formulary**. You can usually get the most recent copy of your insurance plan's formulary by calling your insurer or visiting their website.

Some drugs on your plan's formulary may be covered automatically with a doctor's prescription. Others may be covered only for treatment of specific conditions or after you've tried a different, preferred drug first.

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How much will you pay for prescription drugs under your plan?

That depends on your plan:

- **GROUP 1 Plans** –Your plan will cover these drugs before you meet your deductible.

  Each drug will typically be subject to cost-sharing in the form of copayments or coinsurance. Your out-of-pocket costs may vary depending on the drugs you take. A low-cost generic drug might cost you only a $20 copayment while you may have to pay 40% of the full price for a unique, brand-name drug.

- **GROUP 2 Plans** – Your plan will not cover the cost of prescription drugs until you meet your plan's annual deductible.

  The average deductible for a family plan in 2016 was $7,983, according to eHealth's Price Index report. So, pay careful attention to plans that require you to fulfill a deductible before drug coverage kicks in.

- **GROUP 3 Plans** – Your plan will have special deductibles solely for prescription drugs.

  These deductibles are separate (and generally a lot lower) than your overall deductible for other medical care. Once you've paid out your prescription deductible your drugs may be covered with a copayment.

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What are drug coverage tiers and how do they work?

Drug coverage tiers are a way to categorize the different medications to encourage patients to use more cost-effective options when possible. Drugs from higher tiers may cost you more out of pocket than drugs from lower tiers.

- Tier 1 — These are the least expensive prescription drugs available with the plan, typically limited to generic drugs. Generic drugs generally work just as well as brand-name medications. The only difference is the name and how much money you can save.
- Tier 2 — More expensive generic drugs and brand-name drugs your plan has designated as "preferred" are in this tier. If you take a brand-name drug, you should talk to your doctor about whether a drug in this tier is appropriate for you, as this is where to find the most affordable brand-name options.
- Tier 3 — Non-preferred and expensive brand-name drugs are usually in this tier. These drugs will cost you a significant amount out-of-pocket.
- Tier 4 — This is the most expensive tier, usually reserved for the highest-priced drugs and for drugs that treat rare conditions.

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If you get a prescription filled and find out it will cost you more at the pharmacy than you were expecting, you aren't obligated to buy it. Contact your doctor, explain the situation, and see if there's a less expensive option.

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What if you are denied coverage of your medication?

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FIRST: Check the administrative details

- **Lack of insurance information**: You or your provider may not have filled out your paperwork completely.
- **Incorrect Insurance Information**: Check birthdays and name spellings at both the pharmacy and with your insurance company – they must match exactly for the prescription to be covered.
- **Coding errors**: Your provider may have entered the wrong code for your medical treatment or procedure.
- **Past due filing:** Providers should submit bills to your health plan in a timely manner, but sometimes they fail to do so.
- **Unmet patient responsibilities**: You may still owe a copay or payment towards your deductible.

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SECOND:

Is the medication on your insurance plan formulary?

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If NO,

- Your doctor may ask for a **formulary exception** to cover the medication that is medically necessary for you. Your health plan may have a form for requesting a non-formulary medication or may require your doctor to submit a supporting statement that the non-formulary medication is necessary for treating your medical condition.
- Your plan may only cover the **generic** and not the brand-name medication, as generic medications usually cost less. Ask your doctor if the generic may be substituted for a brand name medication.
- See if it can be covered under the **medical portion** of your plan benefits? This can be particularly helpful in cases of compounded medications. Insurance coverage for this will vary; however, compounded medications often can be submitted for coverage under your plan's medical benefits.

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If YES,

- Do you need a **prior authorization**? Sometimes a prior authorization is required. These are done by your healthcare professional by phone or with a written prior authorization form. The process can take up to 72 hours; however, your doctor can submit an urgent request, which will be reviewed within 24 hours. Keep in mind that even if the medication is approved, the approval may be valid for only a limited time, so it will likely need to be re-submitted with each new prescription or refill request. Some health plans will allow for an emergency fill of your prescription, usually 10-15 days of supply, while you wait for your medication to be approved.
- Is there **quantity restrictions**? Some healthcare plans have quantity restrictions on certain drugs. Which means that it will only cover up to a specific amount of the drug per prescription. Your doctor can make a formal request to override this quantity restriction to your insurance provider.
- **Step Therapy** - This requires your doctor to show that you have tried and failed taking a less expensive or preferred medication on the formulary before your plan will cover the prescribed medication.
- Your current care is not deemed **medically necessary** or appropriate. There will be an appeal process for this. You can work with your healthcare professional to go through this appeal process.
- The care is viewed as **experimental** or **investigational**. Again, there will be an appeal process for this. Your healthcare professional can assist with proving the medication is the right one for you.

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If your plan is denying your medication, you have options

- If you were previously on this medication (on a different insurance plan), you can ask for a one-time refill to allow you time work with your healthcare professional on what other options you have.
- Talk with your doctor about other medications to see if a different medication will work for you.
- Appeal the decision

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The Appeal Process

- **First-Level Appeal**—You or your health care provider must contact your insurance company and request that they reconsider the denial. Your doctor may also request to speak with the medical reviewer of the insurance plan as part of a "peer-to-peer insurance review" in order to challenge the decision. *The purpose of the first appeal is to prove that your service meets the insurance guidelines and that it was incorrectly rejected.*
- **Second-Level Appeal**—In this step of the process, the appeal is typically reviewed by a medical director at your insurance company who was not involved in the claim decision. *The goal of this appeal is to prove that the request should be accepted within the coverage guidelines.*
- **Independent External Review**—In an external review, an independent reviewer with the insurance company and a doctor with the same specialty as your doctor assess your appeal to determine if they will approve or deny coverage. *You can ask for an external review if an internal appeal is not possible or is unsuccessful.*

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Other options

- Check to see if the pharmaceutical company that makes the drug has a **patient assistance program**. This is where they offer co-pay cards or other rebates for patients to help with paying for their medication. Ask your physician if they are aware of any or can check online for this option.
- Ask for a **cash pay option. You must ask for this!** Several states have a "gag clause" which mandates that your pharmacist cannot voluntarily tell you if you would save money purchasing your medication directly instead of through your insurance plan. The only way around the gag clause is to ask the pharmacist if they can get a better "cash" price on the prescription.
- Check into getting a **Prescription Discount Card**. There are several companies who offer these cards or coupons which offer you a way to lower the price of medications. Your pharmacist will process the card or coupon through their software system, much like an insurance card, which could reduce the price you pay.

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