

Great-West Life
your Benefits Solutions People



Selling Sickness 2013 Drug Manufacturer Coupon Programs

THE
Great-West Life
ASSURANCE  COMPANY



Outline

1. What are drug coupons
2. How drug coupons work
3. Cost implications
4. Other issues



What are drug coupons

- Drug coupons go by many names:
 - Continuity of care card
 - Co-pay card
 - Co-pay offset program
 - Patient reimbursement card



What are drug coupons

- The coupons provide a mechanism by which a brand name drug manufacturer reduces or eliminates a plan members coinsurance, deductible or co-pay for a brand name drug instead of a generic drug.
- Plan members get the brand name drug for “free”.



How Drug Coupons Work

- The pharmacist uses the card like they would a pay-direct drug card to electronically direct the plan member coinsurance, deductible or co-pay to a pharmaceutical manufacturer instead of collecting money from the plan member.

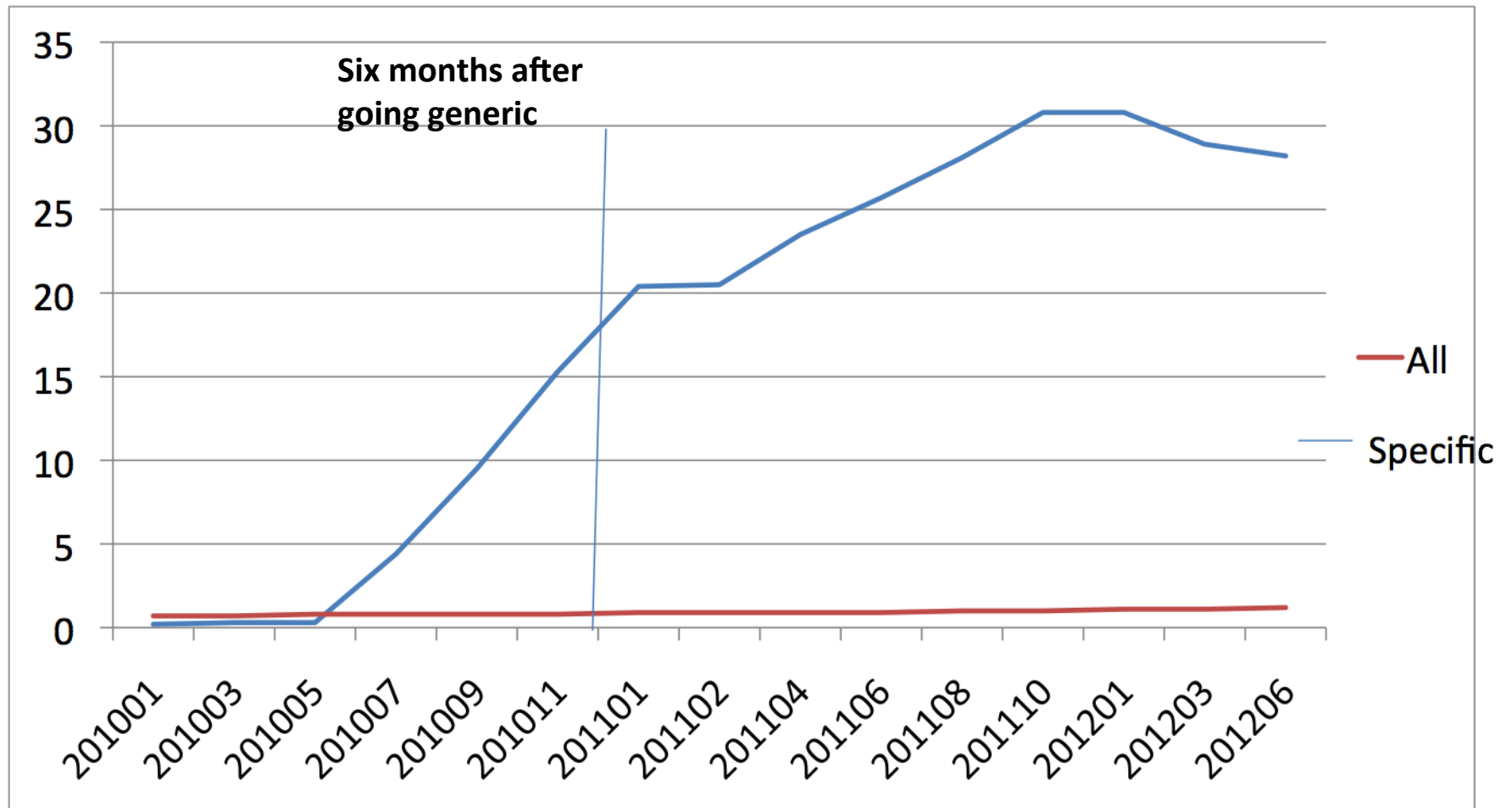


How Drug Coupons Work

- Individuals typically receive these coupons from their physician but they can also be obtained from pharmacists, a drug manufacturer website, newspaper advertisements or websites such as www.rxhelp.ca
- Coupons have a significant impact on rate of “no substitution”



“No Substitution” Rates for a specific medication



Source: National Pharmacy Chain ⁷



Examples of Products with Coupons

Drug Name	Common Use	Drug Name	Common Use
Alesse	Contraceptive	Norvasc	Blood Pressure
Andriol	Testosterone Replacement	Plavix	Blood Platelets
Caduet	Cholesterol / Blood Pressure	Proscar	Prostate
Clozaril	Schizophrenia	Seasonale	Contraceptive
Cordarone	Heart Rythm	Sebivo	Hepatitis B
Cosopt	Glaucoma	Sinemet	Parkinsons Disease
Crestor	Cholesterol	Singulair	Asthma
Depo-Provera	Contraceptive	Timoptic	Glaucoma
Effexor XR	Depression	Trusopt	Glaucoma
Elocom	Skin Infection	Valtrex	Herpes
Lipitor	Cholesterol	Xalatan	Glaucoma
Marvelon	Contraceptive	Xeomin	Muscle Spasm
Maxalt	Migraine	Zoloft	Depression



Why Now? The Patent Cliff

	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
	Lipitor (3.9%) Actonel (0.5%) Concerta (1.1%) Proscar (0.1%) Femara (0.1%) Spiriva (0.3%) Tramacet (0.3%) Altace HCT (0.1%) Meridia (0.1%)	Diovan & Diovan HCT (0.9%) Singulair (0.8%) Atacand (0.5%) Nexium (2.4%) Avalide (0.4%) Avapro (0.5%) Strattera (0.4%) Zomig (0.4%)	Crestor (3.5%) Micardis (0.4%) Plavix (0.9%) Advair (1.4%) Symbicort (0.9%) Cozaar (0.3%) Oxycontin (1.1%)	Lyrica (1.2%) Aricept (0.1%) Gleevec (0.4%) Wellbutrin (0.4%) Xeloda (0.1%) Prograf (0.3%)	Celebrex (0.9%) Ezetrol (0.8%) Cipraxel (1.1%) Xalatan (0.1%) Atacand Plus (0.2%)	Copaxone (0.6%) Cymbalta (0.8%) Cialis (0.3%) Mirena (0.3%) Tarceva (0.1%)
Approximate total # of drugs losing their patent in year shown	35	33	27	24	27	32
Total value (est. sales) of all drugs losing patent in year shown	\$1.8 billion	\$1.4 billion	\$2.3 billion	\$800 million	\$1.1 billion	\$979 million

Expected drug patent expiries 2010 to 2015

Source: IMS Brogan PharmaFocus and IMS Brogan PharmaStat®

Note: Patent expiry date is an estimation of when a particular product will become susceptible to generic competition and is not intended to represent a particular patent expiry date. Generic competition may still be able to enter the market even if the originator still holds valid patents which have yet to expire.



Cost Implications

- Drug coupon programs present significant cost implications to employer sponsored drug benefit programs because they are designed to direct purchases towards higher cost drugs when less expensive chemically or therapeutic equivalents exist.
- This will raise insurance premiums and increase costs for everyone.

Cost Implications

Example with a plan design with 80% coinsurance.

Brand Cost without Coupon		
Heartburn Drug	Plan Sponsor	Plan Member
	\$161.84	\$40.46
Brand Cost with Coupon		
Heartburn Drug	Plan Sponsor	Plan Member
	\$161.84	\$0.00
Generic Alternative		
Heartburn Drug	Plan Sponsor	Plan Member
	\$100.30	\$25.08
Therapeutic Alternative		
Heartburn Drug	Plan Sponsor	Plan Member
	\$50.98	\$12.75



Payer of Last Resort

- The coupons are designed to be the payer of last resort – claims must be submitted to the primary plan first, the secondary (spousal plan) second and only the drug manufacturer at the end.

Cost Implications to Plan Sponsors

- “Co-pay coupons will increase ten-year prescription costs by \$32 billion for employers, unions and other plan sponsors if current trends continue”

Visante Report prepared for Pharmaceutical Care Management Association November 2011

- “Coupons for co-pays are fast becoming a standard part of the brand marketers toolkit, due to proven positive ROI. It is projected that by 2017, coupons will be associated with 30% of all U.S. prescriptions”

FirstWord Dossier Report – March 2012

Other Issues

- **Transparency** – coupons are largely invisible to plan sponsors and providers. No easy way to detect transactions because claims are submitted separately and directly to the drug manufacturer.
- **Privacy** – Participants are often required to allow the submission of confidential personal information in order to redeem the coupons.

Other Issues

- **Coordination of Benefits (COB)** – Even if a plan sponsor has a generic substitution plan that reimburses only the cost of the generic drug, the secondary payer often picks up the balance of the cost leaving the pharmaceutical company with no cost.

Other Issues

- **Consumerism** – Under this concept, plan sponsors require out-of-pocket costs for plan members. The objective is to engage plan members and encourage educated and responsible purchasing behaviour, including choosing less costly generic or therapeutic alternatives.
- If plan members have no cost, the benefit of consumerism is lost.



What can plan sponsors do

- Redesign the plan to include enhanced generic substitution. This limits the reimbursement to the generic cost regardless of whether the physician indicates “no substitution”.



What can plan sponsors do

- Educate plan members about the cost implications of these coupons on overall benefit costs and premiums. An informed employee is the best defense against escalating costs.

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