

Drug Manufacturer Coupons and Co-Pay Accumulators

The unfettered price increases of prescription drugs put patients at risk and health plan sponsors in the difficult position of either having to cut benefits or increase premiums, copays and deductibles. While health plans pay the vast amount of their members' prescription drug costs, drug manufacturers' price increases have forced health plans to create new benefit designs that keep monthly premiums as low as possible—but require some members to shoulder more of the cost before their deductible is met.

What are copay coupons?

- Copay coupons are a tool drug manufacturers use to steer insured patients away from generic drugs (with generally lower copays) and toward more expensive brand drugs (with generally high copays), ignoring potentially equally effective, less expensive alternative medications.
- Copay coupons are deemed illegal kickbacks in public programs like Medicaid and Medicare and, therefore, banned because they unfairly raise costs by forcing coverage of high-priced drugs when more affordable alternatives are available. Though considered illegal kickbacks in federal health programs, they are still allowed in the commercial market.
- Copay coupons increase drug costs by undermining the formularies used by employers, unions, and other payers. By definition, copay coupons target only those who already have prescription drug coverage (i.e., those who pay copays). Copay coupons are not means-tested or designed to help the poor or uninsured.
- Copay coupons are not the same as patient assistance programs, which are need-based and offer free or low-cost prescription medicine to low-income people who are uninsured or under-insured. Patient assistance programs have financial or need-based requirements.

What are copay accumulators?

- Copay accumulator programs are health plan programs designed to thwart drug manufacturers' efforts to force employers, unions, and public programs to pay for expensive, unnecessary brand medications through the use of copay coupons. Copay coupons may come in the form of a coupon, debit card, or some other arrangement to disguise the source of payment.
- Payers use “accumulators” to disallow the counting of the manufacturer's coupon towards the patient's out-of-pocket max and deductible because the patient hasn't actually incurred any cost. This ensures the patient has the incentive to use the plan formulary and that the plan functions as it was designed. It also protects the integrity of the health plan since many beneficiaries won't ever use a manufacturer copay coupon.
- Under federal law, the use of copay coupons to obtain healthcare services under Medicare and Medicaid are prohibited as an inducement to healthcare. Similarly, copay coupons for prescription drugs are an inducement to obtain a particular drug even when a lower cost, therapeutic alternative is available.

What is the fiscal impact of copay coupons?

- A study published in the [American Economic Journal](#)¹ estimates that copay coupons increased drug spending by up to 4.6 percent. According to the study, each 1 percent increase equals approximately \$1.5 billion in higher drug spending annually. The study concluded that for every \$1 million in coupon donations, pharmaceutical manufacturers reap \$20+ million in profits.
- In 2016, researchers from Harvard, Kellogg, and ULCA released an analysis of the impact coupons have on generic drug utilization and drug spending.² They found coupons increase brand drug sales by more than 60%, increasing drug makers' revenue by \$700 million. More importantly, they concluded consumers paid at least \$700 million to \$2.7 billion more in health care spending because of coupons.
- According to a 2017 AARP report, "Even after accounting for their research investments drug companies are among the most profitable public businesses in America. And an analysis from the research company Global Data revealed that 9 out of 10 big pharmaceutical companies spend more on marketing than on research."³ Coupons are, at their core, a marketing tool.

Why should copay coupons be prohibited?

- Health plans must ensure that benefits function as intended and that the benefits work the same for everyone enrolled in the plan. Plan members all have the same coverage rules, and coverage is designed to be affordable for everyone in the plan.
- While coupons can decrease an individual's cost at the pharmacy counter, ultimately, the patient and the plan pay more overall. The individual patient pays more when the coupon goes away, instead of starting on a formulary drug.
- If drug companies are concerned about patients accessing medications, they should simply lower their prices, yet drug makers have determined that it is more profitable to use copay coupons rather than simply make their medications more affordable. The simplest, most effective way to reduce patient cost for drugs is for manufacturers to lower the price the drug.
- Legislation seeking to stop payers from managing their costs by prohibiting their use of accumulator programs would eliminate an important tool in their fight against rising drug costs.

¹ American Economic Journal: Economic Policy 2017, 9(2): 91-123. <https://doi.org/10.1257/pol.20150588>

² When Discounts Raise Costs: The Effect of Copay Coupons on Generic Utilization, October 4, 2016. https://www.hbs.edu/faculty/Publication%20Files/DafnyOdySchmitt_CopayCoupons_32601e45-849b-4280-9992-2c3e03bc8cc4.pdf

³ Why Our Drugs Cost So Much, AARP Bulletin May 1, 2017 <https://www.aarp.org/health/drugs-supplements/info-2017/rx-prescription-drug-pricing.html>