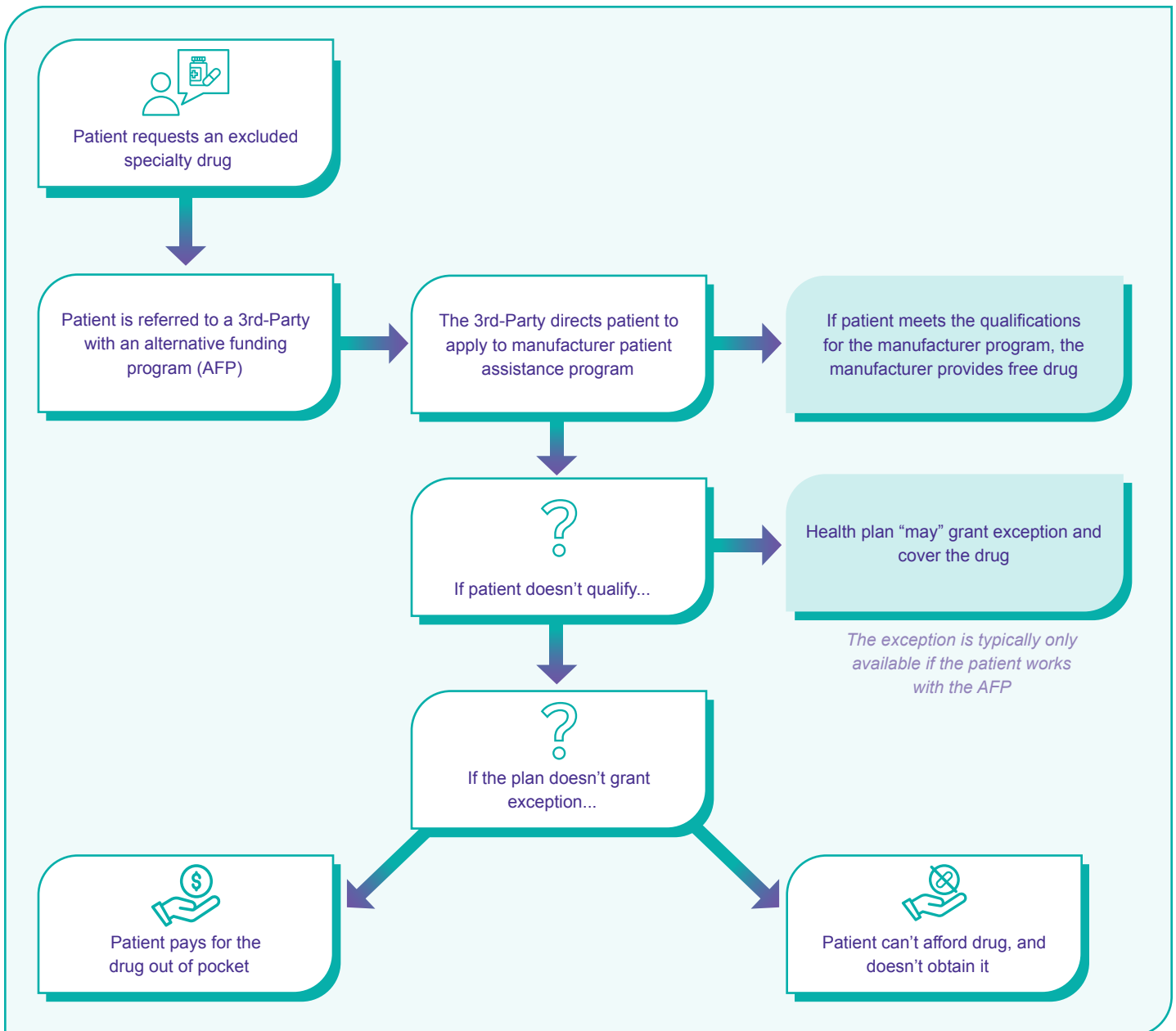


GROWTH IN ALTERNATIVE FUNDING PROGRAMS THREATENS PATIENT ACCESS TO MEDICINES

Alternative Funding Programs (AFPs) are an emerging business model that threatens to dismantle the promise of comprehensive drug coverage for many Americans, if left unabated. AFPs are operated by a third-party that exploits a loophole in offerings of charitable organizations and patient assistance programs (PAP).

How Do AFPs Make It Harder For Patients To Access Medicines?



¹ The AFP Flowchart is for illustrative purposes only and is not intended to describe every AFP arrangement in existence.

Fundamental Threat To Comprehensive Prescription Drug Coverage

THE AFP MODEL IS BASED ON DECEPTION.

PAPs are charitable programs designed as a “last resort” for patients in need of lifesaving therapies who otherwise lack prescription drug coverage. By advising health plans to exclude coverage for specialty drugs (as many as 300 specialty drugs may be excluded),² AFPs are creating the appearance of false non-coverage. In many cases, patients are told: 1) that their drug will be non-covered if they do not cooperate with the AFP and apply for coverage through the PAP; and 2) that if coverage is unsuccessful through the PAP, the plan may ultimately offer them coverage.³ *Thus, patients are forced by the AFP to disguise themselves as without coverage even if they are told coverage through their plan remains available as a last resort.*

REDIRECTS FUNDS FROM PATIENTS TRULY IN NEED.

Funds available through charitable organizations and PAPs are a limited resource. By forcing otherwise insured patients to access these finite resources, AFPs are redirecting charitable funds reserved for patients truly in need. These particular patients tend to be uninsured or underinsured, low-income, and highly reliant on these medications for life-sustaining treatment.

VENDORS MARKETING AFPs ARE HIGHLY MOTIVATED AND TARGETED.

Based on a review of publicly available materials, these vendors are currently targeting plans with the following characteristics: 1) self-funded employers; 2) 800–1,200 lives; and 3) patients who are likely to meet PAP income requirements.⁴ Vendors promoting AFPs are highly motivated to market their services because their revenue model is based on a percentage of annual drug costs (typically 20%-30%.) Given the sheer profit motive, this model is likely to expand to additional plan sizes and types.

PUTS PROFIT FIRST, PATIENTS LAST.

In a typical case, patients receive an abrupt notification that their medication is no longer covered by their health plan, with no further explanation. In most cases, these are patients on long-term therapies for serious, chronic, and often rare conditions. *The drug is not excluded for medical reasons, but instead for the sole purpose of shifting financial responsibility to the charitable PAP.* This notification is not only distressing for patients; it can also result in arbitrary delays as patients wait for the PAP to determine whether they are eligible for the program.

TAKEN TO ITS LOGICAL EXTREME, AFPs UPEND THE PROMISE OF COVERAGE.

While currently limited in scope to a subset of self-insured health plans and to a subset of specialty medications, the profit motive of these arrangements could ultimately upend the insurance market for prescription drugs. Patients today expect that medically necessary and appropriate therapies will be available for coverage under their plan – the AFP model threatens this promise of coverage.



QUICK FACTS ON Alternative Funding Programs

- More than a dozen are currently in operation (ex: PaydHealth, PayerMatrix, RxFree4me, SHARx)
- Survey results show **8%** of plans are using AFPs; 31% are exploring their use⁶
- AFP vendors receive between **20%–30%** of the total drug costs when they shift a patient to a PAP⁷
- The fundamental business model is based on **misrepresentations**. To obtain funding, representations are made that the individual has no insurance for specialty drugs
- AFP vendors are currently targeting smaller, self-funded plans (ex: municipalities, school districts, unions)

² SHARx.com: Frequently Asked Questions. <https://www.sharxplan.com/faqs>.

³ Payer Matrix Letter to Vancouver Firefighters Union Health & Welfare Trust. <http://www.vanfiretrust.org/payer-matrix.html>.

⁴ “Trends in Specialty Benefit Design,” Pharmaceutical Strategies Group, 2022. <https://www.psgconsults.com/2022specialtyresearch>.

⁵ “Emerging Market Solutions for Specialty Drug Management,” Archimedes, February 2022. <https://archimedesrx.com/white-paper-emerging-specialty-strategies>.

⁶ Drug Channels Institute Analysis of Trends in Specialty Benefit Design, Pharmaceutical Strategies Group, 2022.

⁷ “The Shady Business of Specialty Carve-Outs,” Drug Channels Institute, August 2, 2022. <https://www.drugchannels.net/2022/08/the-shady-business-of-specialty-carve.html>.