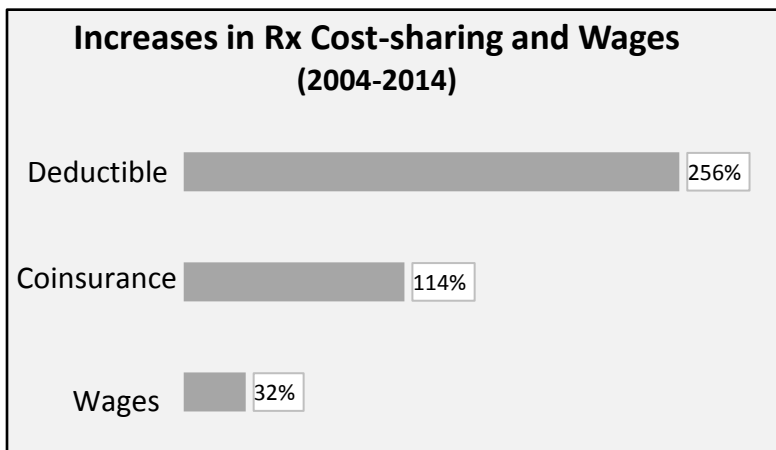


Creating Choice for Rx Drug Coverage

Thanks to innovative new treatments, diseases that were once fatal are now being treated as chronic conditions. But these breakthrough treatments will be out of reach for many patients. Here's why:

- Patients face high cost-sharing in the form of large, upfront deductibles and high monthly coinsurance. Many patients simply can't afford such high out-of-pocket costs.
- High deductibles and coinsurance are difficult to avoid when shopping for a health plan, as these cost-sharing techniques are a standard feature of plans available today.
- When cost-sharing is displayed as a coinsurance, patients can't even map out their healthcare budget for the year.



Source: Claxton, G., Levitt, L., Long, M., "Payments for cost sharing increasing rapidly over time." Petersen-Kaiser Health System Tracker, Insight Brief. April 12, 2016.

Health plans are using deductibles and coinsurance to shift more of the cost of medication onto the patients who rely on those treatments. Together, those out-of-pocket costs are outpacing wages, and patients are left struggling.

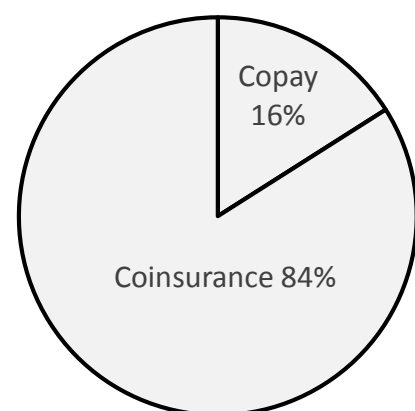
Such high costs may force some patients to stop filling their prescriptions altogether. Patients who abandon treatment can end up getting sicker and perhaps even end up back in the hospital, which only triggers more costs to our healthcare system.

Why Do Patients Need Rx Choice?

It seems commonsense that consumers needing robust drug coverage would select and purchase a health plan meeting that need. In reality, though, few plans offer such coverage.

Instead, it's become typical for health plans to require high cost-sharing for certain medications, usually through a form of cost-sharing called coinsurance. Represented as a percentage rather than an actual dollar amount, coinsurance prevents patients from planning financially for the year. This is especially problematic when patients are shopping for coverage; coinsurance prevents them from getting a full picture of the true costs associated with the various plans available for purchase.

Percentage of Silver Plans Using Coinsurance for Specialty Drugs (2017)



Source: Avalere PlanScape®, a proprietary analysis of exchange plan features, December 2016. Avalere analyzed data from the FFE Individual Landscape File released October 2016 and the California and New York state exchange websites.

The Solution: Creating “Copay-only” Options

There’s a policy solution that can address this problem. Often called the “copay-only” approach, this policy change would require that:

- Each carrier must ensure that a pre-deductible copay is applied to the entire prescription drug benefit in at least 25% of individual and group plans offered in each service area and on each metal tier
- Copay-only benefit design must be reasonably graduated and proportionately related across all tiers of the plan’s formulary

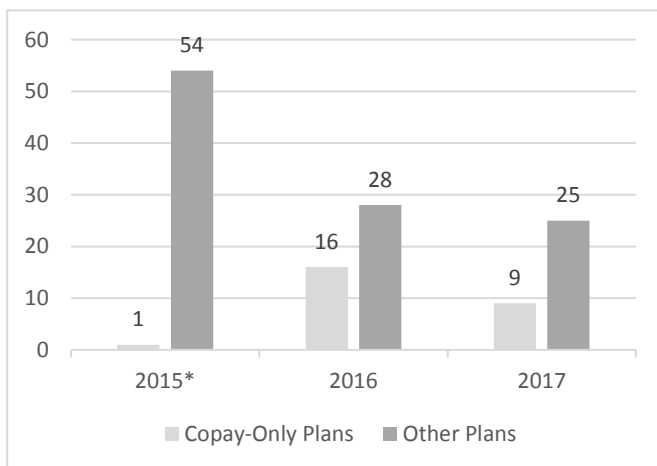
Is This Feasible?

This legislation is based on a “copay-only” rule adopted by Colorado’s insurance commissioner in 2015. That rule required insurers to offer at least some plans that feature more affordable drug coverage.

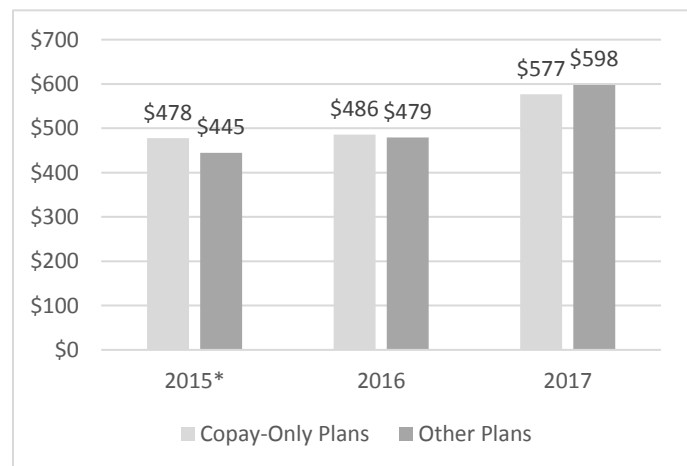
Below, you can see early signs of success: patients now have different types of plans to choose from, including some that use only copays in the drug benefit, and patients don’t have to pay significantly higher premiums for one of these copay-only plans than for other kinds of plans.

This shows that copay-only plans are feasible to implement and cost the same as other plans.

Availability of Silver Copay-Only Plans



Average Silver Premiums for a 50 year old



Source: Sawhney, T., Dieguez, G., Mirchandani, H., Son, M. (2017, July). *Impact of Prescription Drug Copay Regulatory Action on ACA Plans in Colorado and Montana*. Milliman, Inc. New York.

*The Colorado regulation was implemented in 2016. There was no requirement for plans to provide copay-only options in 2015.

Patients Have Choices:

- Patients can choose plans that do not involve the upfront shock of a high deductible
- Patients benefit from knowing the precise cost-share for their medication; this enables them to plan financially for the year

Insurers Have Choices:

- Insurers can continue offering a variety of plans
- Insurers can determine precise amounts for copays, which provides ample flexibility in setting plan designs