



Deductibles and Coinsurance Drive High Out-Of-Pocket Costs For Commercially Insured Patients Taking Brand Medicines

Introduction

New data on out-of-pocket costs for prescription medicines underscore the challenges and frustrations more and more patients experience when navigating the health insurance system.

Every day, patients show up at the pharmacy counter and realize that their commercial insurance coverage does not provide the level of access and affordability they need.

As Susan I. of Pittsburgh, Pennsylvania explained during a townhall hosted by Politico:¹

“With our health insurance...every year our premiums continue to increase and I feel the quality per se decreases.”

Costly out-of-pocket expenses tied to deductible and coinsurance requirements are a leading concern for patients with commercial insurance. Health plans negotiate discounts that lower the cost of health care services, including hospital stays, doctor visits and prescription medicines. For most health care services, patients pay their out-of-pocket costs based on these discounts. But that is typically not the case for brand medicines.

Instead, insurers and pharmacy benefit managers (PBMs) often require patients with deductibles or coinsurance to pay their out-of-pocket costs based on the full list price of the medicine—not the lower, negotiated price the insurer or PBM receives.

As new data shows, this discriminatory practice can lead to higher costs for patients at the pharmacy. For commercially insured patients taking one or more brand medicines in 2021, the sponsored health care data analytics firm IQVIA found that:

- Patients with deductibles or coinsurance spent six times (\$261) more out of pocket, on average, for their brand and generic medicines than patients with only copays.
- Insurers and PBMs subjected two-thirds of patients to the medicine’s full list price through the use of deductibles or coinsurance.
- Deductibles and coinsurance accounted for 60% of patients’ out-of-pocket spending on brand medicines.
- Patients filling a brand prescription in the deductible paid eight times more for their medicine than patients filling a brand prescription with copays.
- Patients were nearly four times more likely to abandon newly prescribed brand medicines filled in the deductible compared to those filled with copays.
- Patients using cost-sharing assistance to access their brand medicines reduced their annual out-of-pocket costs by nearly 60%, leading to average savings of nearly \$500.

These key facts reveal how insurers and PBMs shift the cost of lifesaving care onto patients. As David, a patient from Arizona expressed in a recent national survey:²

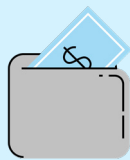
“I always feel like it’s a toss-up. I never feel I know anything about how much insurers are going to cover.”

The personal experiences of individual patients like David and the IQVIA data point to a health insurance system that fails to deliver affordable, predictable health care for many patients.



COPAY

A fixed dollar amount - or a flat fee - a patient is responsible for paying any time they receive certain services or medicines.



DEDUCTIBLE

The amount patients must pay at the beginning of the year before a health plan will pay for its share of most non-preventative health care expenses. For example, if a deductible is \$1,000 the health plan won't contribute to the cost of most items or services until a patient pays \$1,000 out of pocket.



COINSURANCE

A percentage of costs a patient is responsible for paying any time they receive certain services or medicines. Because coinsurance is a percentage of total costs, it can be difficult to estimate and plan for in advance.

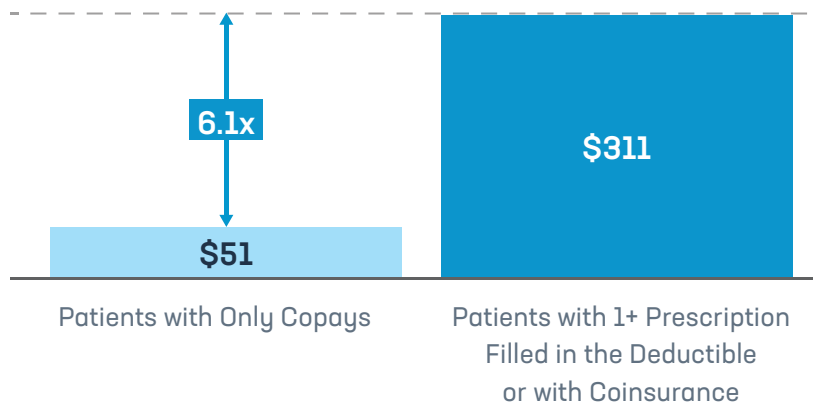
Key Findings

1. PATIENTS WITH DEDUCTIBLES OR COINSURANCE SPENT SIX TIMES (\$261) MORE, ON AVERAGE, OUT OF POCKET FOR THEIR MEDICINES THAN PATIENTS WITH ONLY COPAYS.

Patients whose out-of-pocket costs were based on the list price of a medicine due to deductibles or coinsurance spent an average of \$311 at the pharmacy counter per year, \$261 more than patients with only copays (Figure 1). In 2021:

- Patients with copay-only cost-sharing spent a total of \$51 out of pocket on their medicines.
- Patients who filled one or more prescriptions in the deductible spent \$318 per year.
- Patients who filled one or more prescriptions with coinsurance spent \$432 per year.

Figure 1: Average Annual Out-of-Pocket Cost for Commercially Insured Patients Taking at Least One Brand Medicine by Benefit Design, 2021



2. INSURERS AND PBMS SUBJECTED 2 OUT OF 3 PATIENTS TO MEDICINE LIST PRICES THROUGH THE USE OF DEDUCTIBLES OR COINSURANCE.

Insurers and PBMs often require patients with deductibles or coinsurance to pay their out-of-pocket costs based on the list price of the medicine. In 2021, 2 out of every 3 commercially insured patients taking brand medicines filled a prescription in the deductible or with coinsurance. In 2021:

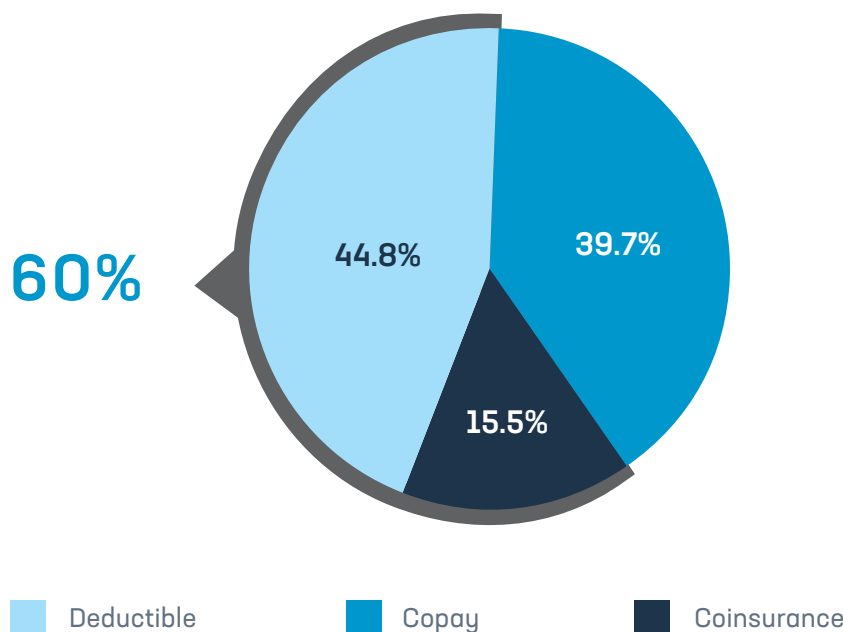
- 34% of patients faced only copay cost-sharing for their medicines.
- 60% of patients filled one or more prescriptions in the deductible.
- 21% of patients filled one or more prescriptions with coinsurance.



3. DEDUCTIBLES AND COINSURANCE ACCOUNTED FOR 60% OF PATIENTS' OUT-OF-POCKET SPENDING ON BRAND MEDICINES.

A small share of prescriptions drives most patient spending on brand medicines. On a per prescription basis, fewer than 1 in 5 brand prescriptions were filled in the deductible or with coinsurance in 2021. These prescriptions accounted for 60% of total out-of-pocket spending on brand medicines (Figure 2).

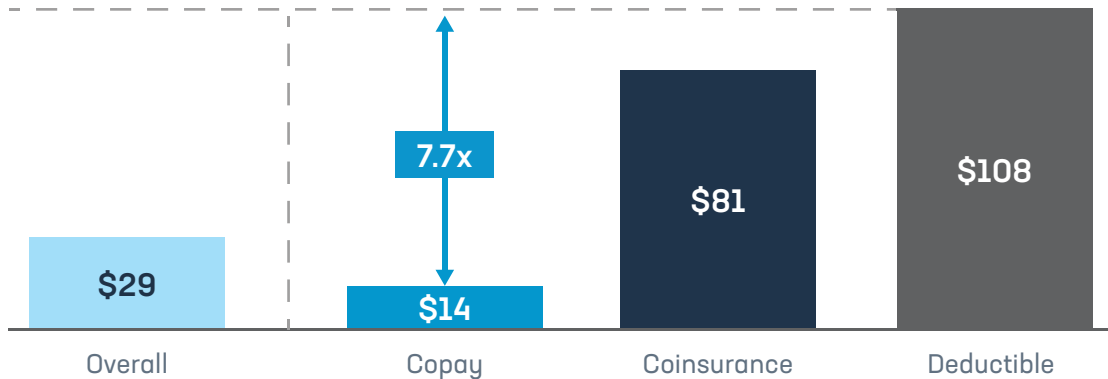
Figure 2: Annual Out-of-Pocket Spending on Brand Medicines by Benefit Design, 2021



4. PATIENTS FILLING A BRAND PRESCRIPTION IN THE DEDUCTIBLE PAID EIGHT TIMES MORE FOR THEIR MEDICINE THAN PATIENTS FILLING A BRAND PRESCRIPTION WITH COPAYS.

Patients face significantly higher costs per prescription for brand medicines filled in the deductible or with coinsurance versus those filled with copays. On average, brand prescriptions filled in the deductible cost patients \$108 out of pocket, or nearly 8 times more than the average cost for a brand prescription subject to copays (\$14) (Figure 3).

Figure 3: Average Out-of-Pocket Cost Per Brand Prescription by Benefit Design, 2021

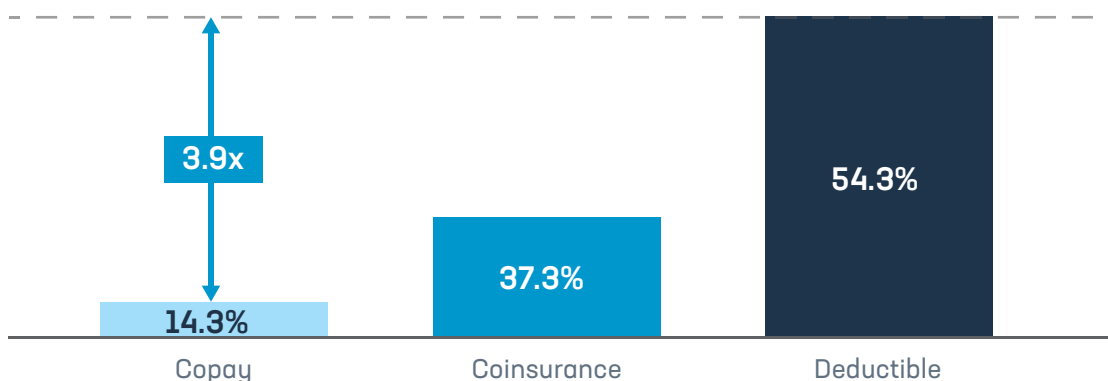


5. PATIENTS WERE NEARLY FOUR TIMES MORE LIKELY TO ABANDON NEWLY PRESCRIBED BRAND MEDICINES FILLED IN THE DEDUCTIBLE COMPARED TO THOSE FILLED WITH COPAYS.

This growing use of high deductibles and coinsurance for medicines presents affordability challenges for many patients. Patients faced with high out-of-pocket costs are more likely to abandon their medicines at the pharmacy counter.³ In 2021:

- Patients abandoned their newly prescribed brand medicines at the pharmacy counter more than half of the time when they were required to pay for their medicine in the deductible.
- Just 14% of newly prescribed brand medicines were abandoned when filled with copays.

Figure 4: Abandonment Rate for Newly Prescribed Brand Prescriptions by Benefit Design, 2021



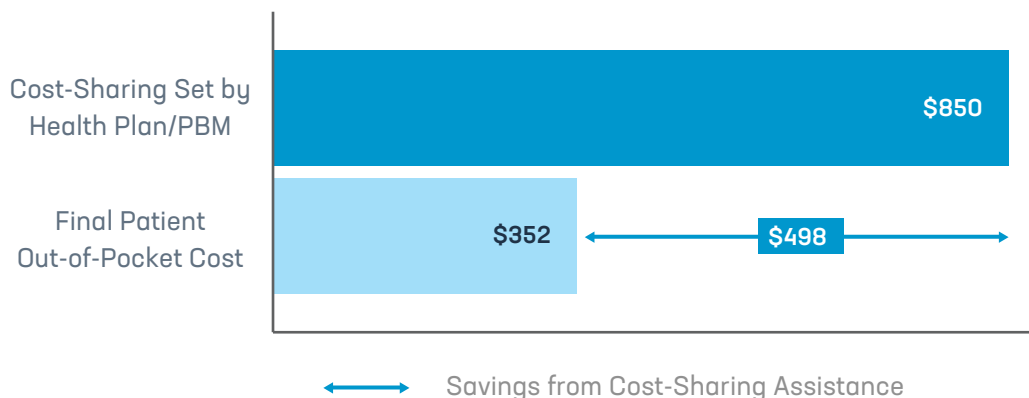


6. PATIENTS USING COST-SHARING ASSISTANCE TO ACCESS THEIR BRAND MEDICINES REDUCED THEIR ANNUAL OUT-OF-POCKET COSTS BY NEARLY 60%, LEADING TO AVERAGE SAVINGS OF NEARLY \$500.

To help address affordability challenges imposed by insurers and PBMs, manufacturers have stepped forward to assist patients with programs like cost-sharing assistance. In 2021:

- One in ten commercially insured patients used manufacturer cost-sharing assistance to access their brand medicines.
- Among these patients, cost-sharing assistance reduced out-of-pocket costs by roughly \$500, or nearly 60% less than the amount set by health insurers and PBMs.
- In the absence of cost-sharing assistance, patients would have faced average annual out-of-pocket costs of \$850.

Figure 5: Amount Patients Saved Out of Pocket by Using Cost-Sharing Assistance, 2021



Conclusion

Patients recognize and value the role biomedical innovation can play in their everyday lives. As Ashley C. noted during the townhall hosted by Politico:⁴

“This is our future. The technology advancements that they’re making today will benefit future generations for our children and our children’s children. And it provides a longer life for us to live.”

But that innovation can only improve the lives of patients if it is available and affordable. That is why the biopharmaceutical research industry stands with patients and concerned voters who want policymakers to lower out-of-pocket costs for medicines and address abusive practices by insurers and middlemen that can drive up the costs for patients.

To learn about patient-centered solutions to make health care more affordable and predictable, visit PhRMA.org/Middlemen.



APPENDIX

Methodology

PhRMA engaged IQVIA's U.S. Market Access Strategy and Consulting team to analyze trends in total out-of-pocket spending on brand and generic prescription medicines between 2017 and 2021 for commercially insured patients taking one or more brand medicines. Findings reflect the average out-of-pocket cost or spending on brand and generic medicines unless otherwise specified. All out-of-pocket cost analyses included paid prescription claims only; claims that were adjudicated and later reversed were included in patient abandonment analyses only and were otherwise excluded. Patients were classified as being subject to deductibles or coinsurance if they filled one or more prescriptions with cost sharing equal to the total reimbursement amount or a percentage thereof. Differences between cost exposure and final patient out-of-pocket spending reflect reimbursement amounts from secondary payers, which are most commonly manufacturer cost-sharing assistance programs but can include any additional support outside of traditional commercial insurance, including the AIDS Drug Assistance Program, charitable foundation support and supplemental commercial coverage. Manufacturer cost-sharing assistance programs that are administered via debit cards are not captured in IQVIA's data and therefore are not reflected in patients' final out-of-pocket spending.

Sources

- 1 Politico. [Health Care in America](#).
- 2 PhRMA. [Patient Experience Survey Qualitative Quotations](#).
- 3 IQVIA. [Patient affordability part two: implications for patient behavior and therapy consumption](#).
- 4 Politico. [Health Care in America](#).