

### Coupons are a powerful savings tool

Clipping coupons is one way thrifty people make their money go farther. And when times are tight, coupon use soars. The number coupons redeemed for various products in 2011 was 35 percent greater than in 2007 and consumers saved over \$4.6 billion – nearly 60 percent more than five years ago.<sup>1</sup>

Coupons exist to increase consumers' awareness of products or services. They can entice shoppers to try a new product or purchase something they wouldn't ordinarily buy, thus changing their product preferences and purchasing habits. It is precisely because coupons have the power to change consumer attitudes and behaviors that drug manufacturers issue them for brand name medications.

**Good** coupon use helps members pay for treatments they couldn't otherwise afford (high-cost specialty medicines, for example).

**Bad** coupon use steers members to costly drugs when cheaper alternatives are available.

### What's wrong with saving money?

Coupons themselves are not bad – and neither is the desire to save money. In fact, coupons, waivers and other financial incentives are used by payers and PBMs to help members afford costly treatments and encourage them to make cost-saving choices.

But some drug manufacturers' coupons are clearly designed to increase sales of brand-name products, even though less expensive options exist. Members may not know that using these coupons can increase costs for their benefit plan. Since most people with insurance do not pay the full cost of their drugs, it is usually the plan sponsor who ends up paying the price for bad coupon use.

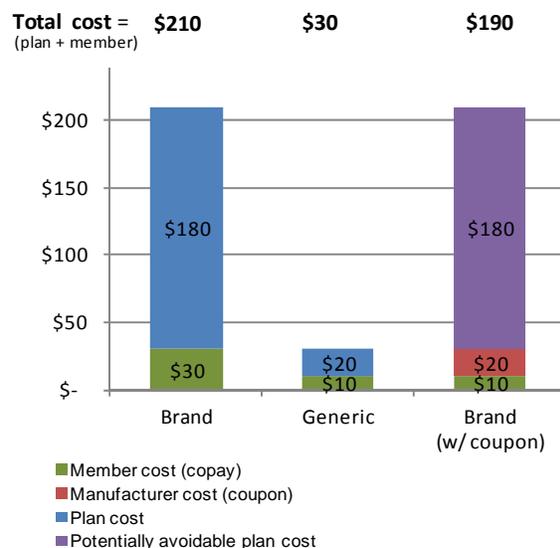
### How drug manufacturer coupons work

Under a typical pharmacy benefit, members must pay a set amount (copayment or coinsurance) for every prescription. Any charges beyond the initial copayment are covered by the plan sponsor, usually an employer or insurance company. Manufacturer coupons reduce the copayment, decreasing members' out-of-pocket costs. This is good when it helps make expensive specialty drugs more affordable and in other cases where there are few or no cheaper generic alternatives available.

But some coupons encourage negative behavior, such as using a brand name drug when a cheaper generic version exists. Coupons like this drive up benefit costs for everyone, because the plan must cover the full cost of the more expensive drug. When a generic is used instead of a brand name drug, the member and the plan both have the opportunity to save (Figure 1).

In another common scenario, a manufacturer's coupon eliminates the cost difference between a plan's preferred and non-preferred brand-name drugs. This practice undercuts the cost saving power of benefit plan design and can even end up affecting drug prices.

**Fig. 1 Brand vs. generic drug costs, by payer**



### Drug coupon use has grown

More and more pharmaceutical companies are using coupons to lure people away from lower-priced alternatives. According to IMS Health, the use of drug copay cards and coupons has tripled since 2006.<sup>2</sup> This is in spite of the fact that coupons are not accepted under Medicare Part D, whose members are the largest users of prescription medicines.

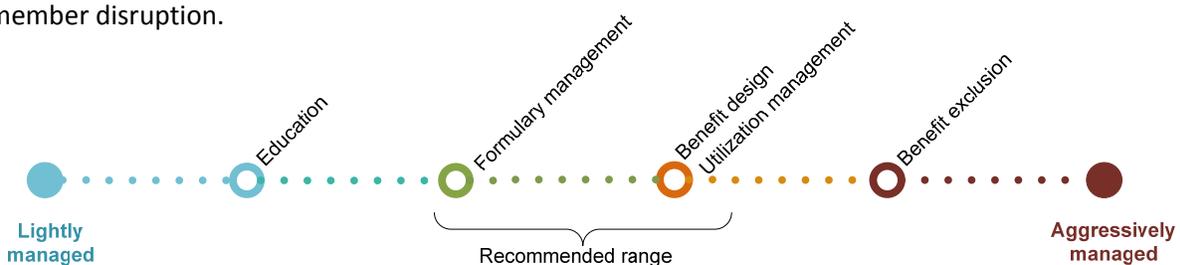
### Strategies to trim negative coupon use

Coupons are promoted as a way to help consumers save on drugs, but for some the true intent is to increase sales of brand-name products. Employers and insurers must work together to educate members about the true cost of these “savings” and limit inappropriate coupon use.

Recommended benefit management strategies include:

- Education – Providing information and education about the hidden cost of drug coupons
- Formulary management – targeted products can be removed from the formulary
- Benefit design – Increasing copay tier differentials substantially enough (or assessing fees to cover the difference of brand to generic) to lessen the use of undesired coupons
- Utilization management – Step therapy or prior authorization for targeted drugs prevents automatic processing of coupon-available products and allows time for review
- Benefit exclusion – targeted products and categories can be excluded from coverage

These options can be viewed on a spectrum from lightly managed to aggressively managed. Aggressive management offers a greater ability to limit negative coupon use, but it is also likely to result in more member disruption.



While addressing the cost impact of coupons is important, helping members get the medicine they need to feel better and live well is critical. That’s why all of Prime Therapeutics’ recommended benefit strategies put member safety and clinical appropriateness first.

If you feel negative coupon use is impacting your business, contact your Prime account manager. Prime can help you build a strategy to limit inappropriate coupon use and reduce its effect on your health care costs.

### Adding to overall health care costs

Manufacturer coupons can escalate or extend use of medications for which lower-cost alternatives exist.

For example, after distributing subsidy cards, Medicis Pharmaceutical Corporation saw sales of its prescription acne medication Solodyn double. The cost of a month’s supply of Solodyn on drugstore.com is \$700 dollars, compared with \$40 dollars for a generic.<sup>3</sup>

Payers costs rise dramatically when plan participants choose expensive brands over more affordable options. According to the Pharmaceutical Care Management Association, copay coupons will increase ten-year prescription drug costs for employers, unions and other plans sponsors by \$32 billion if current trends continue unchecked.<sup>4</sup>

<sup>1</sup> 2012 Coupon Trends. NCH Marketing Services, Inc. Available at [https://www2.nchmarketing.com/ResourceCenter/couponknowledgestream4\\_ektid7687.aspx](https://www2.nchmarketing.com/ResourceCenter/couponknowledgestream4_ektid7687.aspx)

<sup>2</sup> “Prescription-drug Coupons Draw 2<sup>nd</sup> Opinion.” *Bloomberg News*. 29 October, 2011.

<sup>3</sup> Pollack, Andrew. “Coupons for Patients but Higher Bills for Insurers.” *New York Times*. 1 January 2011.

<sup>4</sup> Pharmaceutical Care Management Association. “How Copay Coupons Could Raise Prescription Drug Costs By \$32 Billion Over the Next Decade.” November 2011.