

Effects of Copay Coupons on Health Insurance Markets

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May 19, 2025



About AHIP

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Pharmacy Costs and Impacts

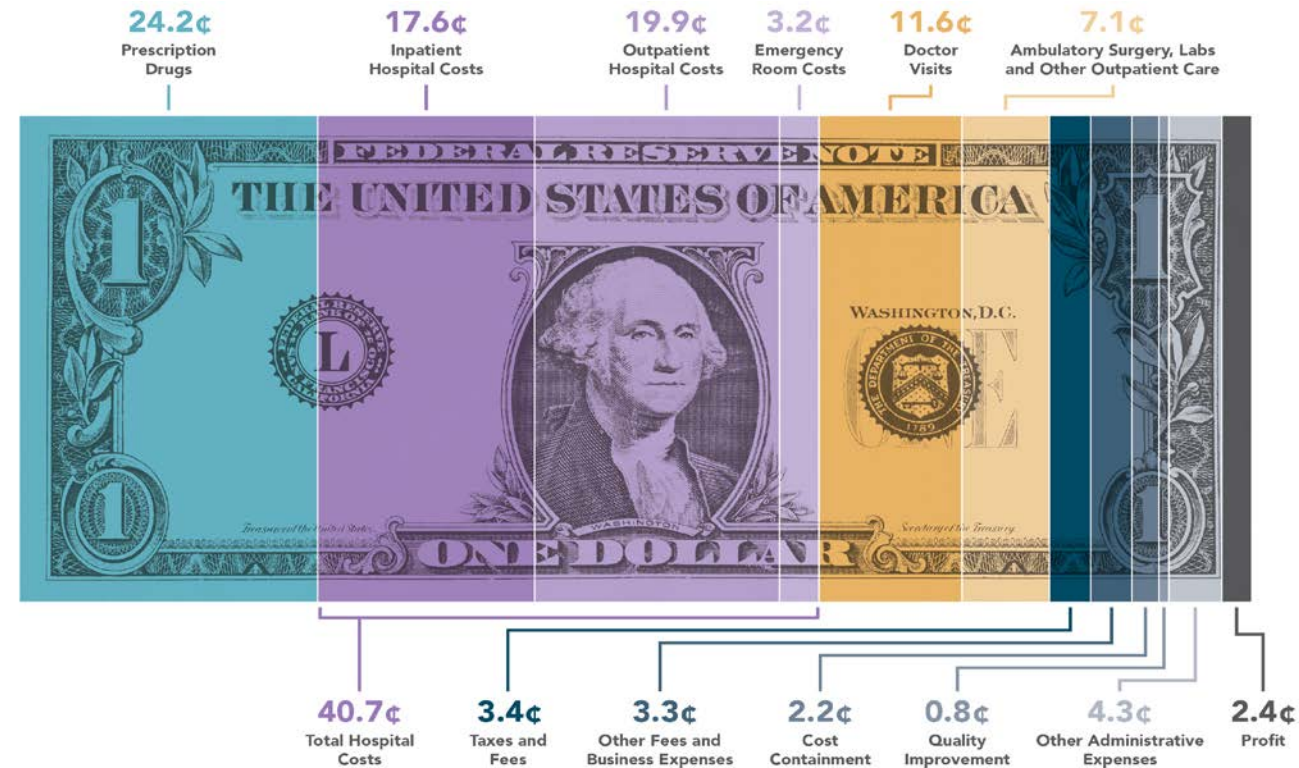
Less than 2% of patients use specialty medications, but these medications account for 51% of total pharmacy spending

Out of 3,500 specialty drugs

- 10 drugs account for 25% of all pharmacy costs
- 50 drugs account for 50% of costs

For every dollar spent on health care, 24 cents go to prescription drugs

The system – patients, workers, employers, taxpayers, state governments – cannot afford higher drug costs



This data represents how your commercial health plan premiums pay for medical care, as well as related services and essential operations. This data includes employer-provided coverage as well as coverage you purchase on your own in the individual market. Data reflects averages for the 2020-22 benefit years. Totals may not add up to 100% due to rounding.



Copay Coupons and Medicare

Copay coupons are prohibited under the Medicare program.

“While copayment coupons provide an immediate financial benefit to beneficiaries, they ultimately can harm both Federal health care programs and their beneficiaries. ... When consumers are relieved of copayment obligations, manufacturers are relieved of a market constraint on drug prices.” – HHS Office of Inspector General

Instead, **manufacturers can donate to independent charities** that provide financial support to patients without regard to the particular medication used.

Manufacturer-specific coupons can only be used outside of the Medicare benefit (e.g., cash pay). Similarly, in the commercial market, the IRS prohibits copay coupon accumulation towards out-of-pocket costs in High-Deductible Health Plans.

Copay Coupons and the Commercial Market

Copay coupons discourage price competition and increase brand utilization.



“Coupons diminish price competition among drugs and limit insurers’ ability to manage drug utilization ... In the absence of coupons or other copay-assistance programs, **insurers could negotiate lower prices** for drugs in exchange for placing them in lower tiers.”



“[N]et-of-rebate **prices are 8% higher** due to the availability of coupons.”



“Focusing on [brand] drugs without generic substitutes, ... coupon introductions **increase quantity sold by 23-25%** for the commercial segment relative to Medicare Advantage, where coupons are banned.”



“After two years of generic competition, the generic efficiency rate is 98.4 percent for drugs without a coupon but **only 88.3 percent for drugs with a coupon.**”

Copay Coupon Impact on Premiums and Cost-Sharing

Banning copay coupons would decrease premiums and total cost-sharing, including lower cost-sharing for patients who do not use coupons

In a study of coupon costs for Multiple Sclerosis (MS) drugs, prohibiting coupons would reduce health plan costs by 7.6% (\$385 per enrollee per month)

Cost-sharing for MS patients using **drugs without manufacturer coupons would fall by 6%** due to lower total spending and greater price competition

“[B]anning coupons leads to premium reductions from reduced insurer costs that are nearly 4 times as large as the increases in out-of-pocket payments”

“Given annual net-of-rebate U.S. spending on multiple sclerosis drugs of around \$15.9b, this translates into savings of about **\$950 million per year from banning coupons** on this category of drugs alone”

Even where coupons are prohibited, “Medicare Advantage enrollees are predicted to experience a decrease in their out-of-pocket costs when coupons are banned as a result of **lower list prices** and hence lower coinsurance payments”

Coupon Costs Have Real Impacts

Higher health care costs due to manufacturer coupons impact all Americans

For most working Americans, health insurance is part of their compensation

Changes in health care costs, including prescription drugs, impact hiring and payroll

Spending has real impacts – for every 1% increase in health care prices:

- Payroll and employment fall 0.4%
- Per capita labor income decreases by 0.27%
- Unemployment increases by 1%
- Unemployment payments increase by 2.5%
- Federal income tax receipts decrease by 0.4%
- Deaths by suicide and overdose increase by 2.7%

Unlike drug prices, **health insurance prices reflect actual input costs**, either through rate review or the direct costs paid by self-insured employers

Market Distortions and Coupon-Created Biased Impact

Copay coupons lead to adverse selection and introduce bias by health condition

Adverse Selection

“If copay coupons were allowed to count towards member cost-sharing without any limitations, **adverse selection in lower premium plans will be incentivized**.

A high utilizing member could enroll in a lean plan, pay lower premiums, and face low to no cost-sharing while using a high amount of services.

This would defeat the intent of the leaner, low premium plans and could have the unintended impact of **increasing their monthly prices and forcing or enticing healthier consumers to drop coverage.**”

Biased Impact

Copay coupons reduce cost-sharing for patients with conditions with pharmaceutical treatments, but patients with conditions with medical treatments pay more out-of-pocket

Example: Type I vs Type II diabetes

- **Type I diabetes:** Patient pays cost-sharing for generic insulin or low-cost brand insulin, faces additional cost-sharing if dialysis is needed
- **Type II diabetes:** Patient pays no cost-sharing because of a coupon for branded GLP-1 medication, faces no cost-sharing for dialysis because max out-of-pocket is met by drug manufacturer coupon

Coupon Programs Address Market Distortion and Biased Impact

Health plans leverage coupon accumulators and maximizers to encourage price competition, reduce adverse selection, and treat patients equally

Coupon programs make manufacturers directly contribute to pharmacy reimbursement, similar to the former “donut hole” manufacturer payments in Medicare or the new Medicare Manufacturer Discount Program (MDP)

The money goes directly to the pharmacy, not the health plan, and any reduction in total health plan expenditures is reflected in lower premiums or plan sponsor payments

Patient cost-sharing is never higher than for any other patient with different medical conditions, and may actually be lower if the manufacturer offers year-long assistance

Patients who do not use coupons see lower cost-sharing because of lower overall spending

Coupons and Manufacturer Revenues

Manufacturers see higher profits under health plan coupon programs than if coupons were prohibited

Among competing therapies, net prices after rebates are 8% higher on drugs with coupons

Coupons drive utilization 25% higher in markets that allow coupons than those that do not

Health plan coupon programs can only mitigate some of the higher costs from manufacturer coupons, but greater utilization and higher net prices cannot be fully offset