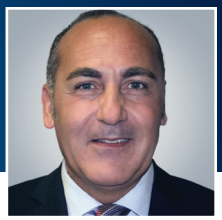
The Evolution of Payer Access: Now and Then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The $740 billion Inflation Reduction Act, signed by President Biden on August 16, 2022, will have significant implications for pharma, payers, and seniors.

The bill implements several significant changes[1]:

- Beginning in 2026, US Department of Health and Human Services (HHS) negotiating directly with pharmaceutical companies for the 10 most expensive Medicare drugs; number increasing to 20 new Part D and B drugs in 2029
- Rebates from pharmaceutical companies if prescription prices in Medicare outpace rate of inflation
- Medicare Part D redesign—$2000 out-of-pocket prescription drug cost cap and $0 cost-sharing in catastrophic phase, effective 2025; premium increase protection at 6%
- For Medicare enrollees, insulin price cap at $35 per month
- Delay of Part D rebate rule to January 2032
- Expand full duals eligibility to 150% of Federal Poverty Limit (FPL)
- 3-year extension on health insurance exchange subsidies

Expanding payer control[2]

Payer control has been on the rise for years as restriction rates are growing, and fewer, select products achieve preferential status. Already, the number of unique formulary exclusions averaged over 600 across 2023's national preferred formularies. But that is only one piece of the full control picture. Formulary restrictions and exclusions[3] are expanding into new markets that have previously been considered untouchable, such as oncology and even some protected classes. This could be an unexpected shift with sizeable access and margin implications for many pharmaceutical brands, particularly as payers must compensate for new cost liabilities under IRA. Monitoring and forecasting will prove vital to long-term success.

New sites of care and acquisition[2]

With payer rejections and cost-sharing on the rise, patients are looking beyond their benefits to fill prescriptions. As one example, pharmacy discount cards[4] may account for less than 6% of all prescriptions, but more than 10% of insured patients use at least one. They have nearly doubled in prevalence since 2017 and are on track to grow as patients encounter more barriers to access and are compelled by the potential savings out of network. Cost Plus Drugs, identified as a public-benefit corporation (ie, Mark Cuban Cost Plus Drug Company [MCCPDC][5]), is an emerging variation on the discount card, offering a streamlined supply chain and transparent pricing on many generics. We expect to see more such entries into this space in the future.

Demand for these solutions reflects a growing trend among patients taking advantage of their options. Manufacturers might find opportunities for future partnership with such emerging organizations as they look to support patients more directly and improve access to their treatments. Perhaps one example exists with telemedicine, which saw a boost after COVID-19. Some companies now use online platforms to diagnose, prescribe, and even distribute medicines—mostly generics for now—to specific populations. Now, more than ever, patients are one online advertisement away from being diagnosed with a mental health disorder and prescribed a selective serotonin reuptake inhibitor (SSRI).

New access points are not without their challenges. Cost containment companies are also making headway in the market, moving prescriptions through pharmacy discount cards and other channels to keep spending down. It will be challenging but necessary to measure these alternative sites to ensure that treatments are as accessible as forecasts might expect.

While formulary levers are already an established form of control, the industry will also likely see payers add to their toolkits. One way the industry might expect to see payers manage access is through triaging patients or limiting treatment populations. National coverage determinations (NCDs), coverage with evidence determinations (CEDs), and self-administered drug exclusion (SAD) lists are existing mechanisms within CMS. Though not commonly used today, they provide an option for future access management.

To manage their increased drug cost liability, payers will likely pass costs on to beneficiaries through higher premiums. Plans will also look to control beneficiary costs through the coverage gap to avoid their catastrophic commitment by increasing step edits to prefer lower-cost drugs, decreasing the number of brands on preferred tiers, and increasing brand exclusions.

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