

Report Highlights

Prescription Drug Specialty Tiers in Pennsylvania

Senate Resolution 2013-70 and House Resolution 2013-348 call for a study of prescription plan “specialty tiers” to determine their impact on access and patient care. Drugs on specialty tiers in a drug plan’s list of covered drugs are used to treat chronic or life-threatening conditions (e.g., hemophilia, multiple sclerosis, cancers); are often without generic equivalents; and usually require the beneficiary to pay a percentage of the drug’s cost (i.e., coinsurance), rather than a fixed dollar amount (i.e., copayment). Typically, an insured will incur costs in the range of \$1,500 to \$3,000 per prescription for a specialty tier drug.

We found:

- **Specialty tiers proliferated with the start of Medicare’s voluntary outpatient prescription drug plans (Part D). Over 90 % of these plans have such tiers, with cost sharing in the range of 25 to over 30% of the drug’s cost.** The federal government has a key role in prescription drug benefit design through administration of Part D and Affordable Health Care Act (ACA) contracts, approval of new pharmaceuticals, and responsibilities under the Employee Retirement Income Security Act that exempts certain plans from some state mandates. Nationwide, over 60 percent of workers receive coverage through such plans.
- **Specialty drug tiers are not as common with employer health benefit plans as they are with Medicare Part D.** By 2014, however, 23 % of workers were in plans with specialty tiers. Such employees are typically responsible for about 32% of the specialty drug’s cost.
- **The average PA household (median income just over \$50,000) would need to expend more than 5% of its income for out-of-pocket costs for almost all commonly prescribed specialty drugs.** About 60% of such drugs would require the average PA household to spend 20% or more of its annual household income for specialty drug out-of-pocket costs.
- **About half of the specialty drug users we surveyed reported their insurance did not limit out-of-pocket prescription drug costs.** Only 12% reported their costs were capped on a per prescription basis. Over 40% reported delay in filling prescriptions, skipping pills, injections, or dosage and over 30% reported not taking a drug because it was too expensive. Almost 40% reported taking on additional credit card debt and having difficulty purchasing food/groceries. Ten percent reported having to declare bankruptcy due to their drug costs.
- **Specialty tiers shift costs onto patients, which can reduce adherence to treatment.** When cost sharing for an oral cancer drug prescription is greater than \$500, the patient is four times more likely to abandon treatment than when it is \$100 or less. When cost sharing for a multiple sclerosis drug prescription is greater than \$200, the patient is 25% more likely to abandon the drug treatment than when it is \$100 or less.
- **Some public programs help with high specialty drug costs.** PA’s PACE/PACENET program, for example, pays all cardholder costs except small copays (e.g. \$9.00 for PACE and \$15 for PACENET), and has less restrictive eligibility criteria than Medicare’s subsidy program (e.g., an individual can receive assistance with income up to 200% of the federal poverty level). In 2013, 1% of PACE/PACENET members had over 15,000 specialty drug claims totaling \$42 million.
- **The PACE Patient Assistance Program and Clearing House (PA-PAP) assists all adult PA residents to access drug manufacturer assistance programs.** In 2013, the program helped over 14,000 persons receive almost 50,000 medications at reduced prices.

Recommendations:

- PA should advocate for federal policy changes (e.g., implementation of enacted, but postponed, annual out-of-pocket limits for all ACA essential services) and with the PA Medical Society continue to educate consumers about PACE/PACENET and PA-PAP assistance with specialty drug access and cost.
- Until such time as federal policies change the General Assembly may wish to consider “stop gap measures” such as limiting out-of-pocket costs for life-sustaining drugs on specialty tiers such as Delaware and Maryland have done. The overall impact may be limited, but some would be helped.