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## The Value of Discount on Branded Drugs



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Despite the proclaimed benefits, in Canada, brand-name drug discount cards (or co-pay cards) lead to higher spending for both healthcare and patients. Such are the results of a new study by Law et al., 'Impact of brand drug discount cards on private insurer, government and patient expenditures,' published in Canadian Medical Association Journal (CMAJ).

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Since brand-name medications are usually more expensive than equivalent generics, consumers often turn to and insurers demand exhaustive use of the latter. As a result, brand discount cards have become a popular marketing mean for many manufacturers. These cards are essentially coupons with which drug manufacturers motivate patients to give preference to brand-name drugs instead of generics, even if the latter are available at a much lower price. It is estimated that in the US commercial insurance plans cards are used for 20% of brand prescriptions. In Canada over 1.5 million individuals have signed up for such cards, and during the period of the study (between September 2014 and September 2017) the use of drug discount cards has increased by 67%.

The study sampled Canadian claims-level pharmacy data of 2.82 million prescriptions for 89 different medications where brand-name drug discount cards were used, and compared the costs of these prescriptions to matched generic equivalents. Three groups of prescriptions were in the focus: paid through private insurance, public insurance and out of pocket.

The researchers found that when compared with generics, the use of such discount cards increased costs for both private and public insurers. In spite of the fact that with co-pay cards some patients were able to decrease their average out-of-pocket costs, for many the result was increased expenses.

### Private Insurance

Within the studied period, third-party insurers paid \$69.4 million for branded prescriptions which is \$21.7 million, or 46% more than an estimated \$47.7 million for equivalent generic prescriptions. In contrast, the difference was almost nil for the out-of-pocket component for these prescriptions: \$7.1 million paid for branded prescriptions compared to \$7.2 million estimate for generics. The gap (\$108 000) represents a 2% (\$0.12) saving per prescription for patients.

### Public Insurance

Government plans expenses on branded prescriptions with discounted cards amounted to \$26.0 million. If generics were used, the sum would be \$25.7 million. The difference of \$334 000 represents an increase of 1.3% (\$0.37) per prescription. For patients this gap was much wider, \$4.1 million spent vs. \$2.4 million estimated. Thus, out-of-pocket payments were \$1.7 million bigger (+\$1.86 per prescription).

### Cash Payments

This group benefitted the most from the use of brand discount cards. While the branded prescriptions with a discount card cost patients \$17.3 million, the equivalent generics mix would cost them \$18.7 million, ie \$1.3 million, or 7% more (+\$3.49 per prescription).

### Conclusion

The researchers concluded that for private insurers, the use of brand discount cards increased the expenses; for public insurers, the difference was insignificant; and for patients the impacts were mixed and differed according to both insurance status and the specific drug in question. As the study suggested, these discrepancies were caused by the difference in how brand drug prices were reimbursed, with private insurers covering the cost of brand prescriptions and public plans paying only the available generic price (even when a brand version was dispensed).

According to the authors, patients, their clinicians and employers should be aware of the impacts on the health care system described in the study. They pointed out that, for example, private insurers would most likely pass the increased cost on to consumers and their employers in the

form of increased insurance premiums. Furthermore, patients should recognize that discount cards have mixed impacts on their out-of-pocket costs and compare the discounted price of brand-name drugs with the equivalent generic at their pharmacy.

## References

Law M, Chan FKI, Harrison M et al. (2019) Impact of brand drug discount cards on private insurer, government and patient expenditures. Canadian Medical Association Journal, 191(45): E1237-E1241. Available from <https://www.cmaj.ca/content/191/45/E1237>

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