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New Tack on Copays: Cutting Them

Employers, Insurers Bet That Covering More of the Cost of Drugs Can Save Money Over the Long Term for Chronic Conditions

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Desperate for ways to curb soaring health-care costs, a groundswell of employers and health insurers are turning to a radically different approach: motivate patients to take not just the cheapest medicines, but the ones they need the most.

Over the past decade, health plans have sought to save money by shifting costs onto workers and encouraging them to use lower-cost generics. But the new model -- which involves lowering or eliminating copayments on medications for chronic illnesses -- makes better medical sense. And it may save even more money by preventing costly health crises down the road. For instance, a heart-attack patient who no longer has to pay for a costly but essential blood thinner is more likely to take it regularly -- and reduce the chances of a second attack or eventual surgery.

Employers such as **Marriott International** Inc., **Procter & Gamble** Co. and **Eastman Chemical** Co. have now reduced or eliminated copayments for drugs for certain chronic conditions, such as heart disease. **Pitney Bowes** Inc., which already gives away diabetes and asthma drugs, has lowered copays this year for osteoporosis treatments, anti-seizure medications and prenatal supplements. For diabetics and heart-attack patients, it has made cholesterol-lowering statins free. And at least one major insurer, **Aetna** Inc., is studying whether to implement the approach with certain drugs and patients across its health plans.

Behind the about-face is mounting evidence that higher copayments may not make long-term economic sense. While they've curbed drug spending in the short run, studies show they've also discouraged some people from taking essential medicines. A 2004 Rand Corp. study of more than 80 corporate and commercial health plans, for instance, showed that chronically ill people used to taking regular drugs cut their medications by between 8% and 23% when their copays were doubled.

In rethinking copays, employers and health plans have targeted conditions like diabetes and heart disease in part because chronic illnesses are major drivers of the overall rise in health-care costs. These patients are also among the most vulnerable to costly medical complications -- and, at the same time, it's relatively easy to monitor their drug regimens to help manage the illnesses.

Seeing Results

Early experiments with providing free drugs for chronic disease have produced results -- reducing costs and helping people stay out of the hospital and emergency rooms. Pitney Bowes says it now spends 19% less annually for each asthma patient than it did six years ago, before it eliminated those copays.

INCENTIVE PLANS

Some experiments in improving access to critical drugs:

- Marriott cut copayments for drugs related to heart disease, diabetes and asthma.
- University of Michigan cut copays for diabetes patients.
- Pitney Bowes gives away diabetes and asthma drugs and has cut copays for osteoporosis treatments, anti-seizure drugs and others.
- UnitedHealth cut copays for a chlorofluorocarbon-free asthma inhaler.

"Cost shifting [onto employees] is the easiest way to attack cost. But it comes right back at you because you're not attacking the root cause," says Andrew Scibelli, manager of health-management programs at **Florida Power & Light** Co., which is looking at cutting its copays for employees with conditions such as diabetes and coronary artery disease in 2008.

Marriott decided to slash copayments for patients with heart disease, diabetes and asthma in 2005 after worrisome signs that people with those illnesses were forgoing medications.

Affordability Issue

In the years prior to that, the hotel chain had stepped up drug copays to combat escalating health-care costs. But when its health-data and disease-management firm, ActiveHealth Management, would call on doctors to inquire why they hadn't, for instance, prescribed heart-attack patients a certain medication, "the doc would say, I want to, but the patient says they can't afford it because of the copay," says Lonny Reisman, ActiveHealth's chief executive.

So Marriott waived the copays on generics and halved the $25 and $45 copays it had required in many of its plans for branded drugs related to diabetes, asthma and heart disease.

ActiveHealth, an Aetna unit, helps identify which Marriott workers or family members with chronic illnesses aren't taking potentially lifesaving drugs, informs their doctors and reminds the patients about the breaks. In the program's first year, Marriott executives say, they've made up in health savings what they lost in drug copays.

Vaccines and Screenings

"Over the next several years, we think we'll see even better results," says Jill Berger, Marriott's vice president of health and welfare plans. Encouraged by the initial results, the hotel chain began waiving copayments this year for other types of preventive care, such as childhood immunizations, mammograms and colonoscopies.

Bonita Kothe, an administrative assistant at the University of Michigan in Ann Arbor, says she has been more vigilant about taking the four medications she takes for her diabetes since the university reduced her copays nearly a year ago. Since all four are generics, she pays nothing. (Other diabetes-related drug copays have been cut by between 25% and 50%.)

Though the $60 she used to pay every three months for the drugs wasn't a tremendous financial barrier, Ms. Kothe says she used to miss the occasional pill. But between reducing the cost and explaining the strategy to employees, "they made me more aware of how important it is to take my medicines," she says.

Despite the initial successes, many employers are still reluctant to spend more upfront on health care, even with the promise of a longer-term payoff. Others are concerned that slashing copays will encourage people to take more costly brand-name drugs instead of generics.

"Employers tell us, I want to do something, but I have no new money to spend," says Mark Fendrick, a professor of medicine and director of a research center at the University of Michigan studying such health-insurance-plan designs.

Tailored Approach

That's why most health plans and employers that do this aren't just cutting copays indiscriminately but tailoring the breaks based on how much a given patient needs a set of drugs. The University of Michigan, for instance, provides its lower copays only for patients with diabetes. ActiveHealth also is helping employers design individualized copayment plans that would, for example, allow a heart-attack patient to pay much less for cholesterol-lowering drugs than someone simply with high cholesterol.

UnitedHealth Group Inc. has taken a slightly different tack, reducing copays for certain brand-name drugs to the lowest level in cases where a generic isn't available. Last month, for instance, it cut copays for Xopenex, a chlorofluorocarbon-free asthma inhaler, to between $5 and $10, down from between $45 and $50.

Aetna plans to launch one of the most ambitious studies of the tailored approach later this year. For those who have suffered a heart attack, the health insurer plans to waive copays for four of the five essential classes of medicines that medical evidence shows heart-attack patients should take -- statins, ace inhibitors, beta blockers and ARBs (the fifth is aspirin) -- and study the effect on patients' health and cost over three years.

Avoided Complications

The experiment will cost Aetna and the participating employers for which it administers health and drug benefits money up front, but "we think we'll reduce costs very rapidly," says Troyen Brennan, Aetna's chief medical officer. Aetna points to one academic study that calculates savings of nearly $6,000 per patient by eliminating the heart-medication copays.

If the three-year study bears out such cost savings, Aetna says it plans to implement the approach across its health plans and expand it to more than a dozen other types of medications.

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