ASCO AMERICAN SOCIETY OF CLINICAL ONCOLOGY
KNOWLEDGE CONQUERS CANCER

Alternative Funding Programs

Background

In response to rising health care costs, certain employers have begun utilizing alternative funding programs (AFPs), which are administered by third parties and allow plans to reduce their specialty pharmacy costs by partially or fully excluding coverage for high-cost, branded specialty drugs from their prescription drug benefit. By excluding certain drugs, AFP administrators can instead rely on alternative funding sources such as Patient Assistance Programs (PAPs), condition-specific charities, and other philanthropic organizations. These funding sources were originally intended to provide access to brand-name medications at little or no cost to low-income individuals who do not have insurance or are underinsured.

Under an alternative funding program, a patient is notified that a prescribed drug is not covered under their health plan, and that their claim is denied. Then, the patient is encouraged to work with the AFP administrator to secure access to their treatment (by providing personal information and other documents up to and including medical power of attorney). The AFP administrator is then able to apply for funds on the patient's behalf from PAPs or other philanthropic groups. It has been reported that some vendors also import drug from overseas.

This system does not guarantee access to a drug, however. If a patient makes an income greater than certain maximum thresholds, they may not be eligible for a PAP. In such cases, the health plan may remedy this by re-including the specific medication into the pharmacy benefit, to avoid potential complications for having denied coverage of necessary care, though this often can take weeks to implement. Should the plan opt not to do so, the patient is left with a hefty bill or is otherwise unable to get the medication that they need.

Concerns for ASCO Members & Where ASCO Stands

An analysis of 171 employers, unions, and commercial plans representing 40.4 million covered lives found that 8% of plans were using alternative funding arrangements in 2021, while a further 31% were exploring their use.[i] Subsequent literature on the extent of alternative funding programs has been limited. Similarly, while cancer, Crohn's disease, rheumatoid arthritis, and multiple sclerosis have been suggested as potential targets for disease-specific specialty drug carve-outs,[ii] the extent to which these carve-outs have been pursued is unknown.

ASCO has previously spoken on the overarching challenges caused by utilization management practices. Any obstacle to obtaining specialty medications for people diagnosed with cancer can produce delays, coverage gaps, and poorer health outcomes. Under an alternative funding arrangement, health plan members must seek coverage from third parties contracted by their plan and employer, and each additional process step can potentially delay initiating treatment and make adherence more challenging.[iii] Due to the finite amount of charity funding available, the risk of fragmented and delayed care, and the danger of compliance violations,[iv,v] ASCO opposes the implementation of AFPs. The carving out of specialty drugs for patients receiving treatment for cancer is ultimately another variation on utilization management practices that leave patients more vulnerable to financial toxicity and poor cancer outcomes.

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[i] Drug Channels Institute analysis of Trends in Specialty Benefit Design Report by Pharmaceutical Strategies Group (PSG) (an EPIC company). Original report unavailable.
[ii] https://www.ncbi.nlm.nih.gov/pmc/articles/PMC2702816/
[iii] Better together: PBM and Integrated Specialty Management Strategies – OptumRx
[iv] White Paper: Specialty Rx – Hylant
[v] Compliance Issues with Alternative Funding Programs – Vivio Health