Devising the Right Copay Offer to Support Your New Product Launch
Why are launches so different from a copay perspective?

So you have a new product launch coming up... congratulations on bringing your new product through the tedious FDA process! As you develop the marketing support for the launch, one of the many things you will more than likely need to do is come up with a patient copay program. This can be much more difficult than it sounds. So, where do you start?

The copay offer planning process for a new brand is vastly different from the planning process for an established brand. An established brand typically has market research learnings and actual in-market results to draw on. In contrast, a new product launch relies heavily on market research projections instead of actuals for much of the key information that is needed for optimizing copay program details.

You can lose big by doing it wrong

The stakes are high when developing your co-pay program. Putting together an offer or program that isn’t optimal could cost you financially and/or hinder the growth of your new brand. The secret is to provide the right amount of support for most patients without paying more than is necessary. If you fall into the financial trap of over-incenting patients, it will be difficult to for you to pull back on that level of support down the road.

Doing it wrong will cost you a bundle and will waste money that could have been better utilized to quickly drive brand growth out of the gate. You need to help the patients who need to be helped and bring them to the point where they will fill and refill. But we sometimes find (depending on the brand’s objectives) that it may not be prudent to subsidize certain patients because it just doesn’t make financial sense. Copay programs should be designed to be profitable from the beginning, so if the program grows the brand, the new sales generated will support the additional program cost.

But, how will you determine your optimal offer?

A walk through the comprehensive planning process

The key to optimizing your copay program is a comprehensive analysis and planning process including the steps below:

- Set goals for the brand and for the program
- Gather key information for the brand so program KPI’s can be determined, including sales & profitability
- Understand the competitive environment: Ensure that your offer is competitive
- Estimate managed care contracting status: Understand anticipated patient out of pocket expenses BEFORE the copay offer
- Estimate anticipated results from various copay program structures
A Comprehensive Planning Process
Taking a closer look

Set goals for the brand and program
Gaining alignment on brand and program goals is critical to optimizing the brand’s copay program. For a new product launch, often the goal is to generate trial or to maximize sales, but there may be other considerations as well:

- Brand & program sales and profitability
- Return on Investment percentages
- Trial and adherence rates
- Percent program utilization (percent of your TRxs utilizing your coupon)

Gather key information
Gathering key information for the brand so that program KPI’s can be determined, including sales & profitability:

- Key brand metrics: AWP, WAC, Margin
- Expected abandonment rate (abandoned scripts due to price)
- Expected written to fill rate
- Expected annual TRx’s and NRx’s
- Expected adherence rates by fill for the first 12 months of therapy
- Expected program / fixed costs for copay program

Understand the competition
You’ll need to ensure that your offer is competitive and you need to keep your eye on what your category is doing from an offer standpoint. For a launch, there is a good chance you might try to match or beat another brand’s offer in your category just to get the HCP’s attention out of the gate. Keep in mind that research has shown that, for the most part, you’ll just have to “be in the ballpark” of those other offers in order to be successful. The difference between being “in the ballpark” and being the low cost provider can be millions of dollars of spending, so it is critical to understand the competitive environment and ensure that your brand’s offer is competitive, but not unnecessarily aggressive! No matter where you start, you may decide to dial back the offer after the first year in market as the brand gains adoption.

Estimate managed care contracting status
A key step in determining your optimal copay offer is understanding the anticipated patient out of pocket expense before the offer. You’ll need to start by estimating where your managed care contracting status will be at launch, six months after, and one year post launch, as all those contracts will most likely not be 100% in place on launch day. You have to account for the changes in your coverage over time. You’ll also need to estimate the percent of patients that you expect to be part of a high deductible health plan (HDHP) and include them in your calculations.

Estimate anticipated results from various copay program structures
A lot of data goes into accurately projecting copay program results. For a new product launch there may be some data gaps - Using surrogate data from an industry database can help address data gaps that may exist for a new product launch. Once you have completed the comprehensive data gathering process, you can begin to project the business impact of various copay offers and program structures.

The projection process can be very detailed and involved. CoPay program vendors can give you some direction, but for a more comprehensive and turn-key approach to copay program optimization, you may want to consider working with an independent 3rd party modeling and analytics firm.
Thinking of launching with a Pay $0 copay offer?

This may not be your best option

The first thing that many think about when launching a new product is starting with a $0 copay offer to maximize trial. However, there have been studies that show that patients who have some “skin in the game” in the form of paying something for their medications are both more adherent and compliant. What is most important is that your offer is optimally designed to maximize trial while also delivering on brand and program objectives. A Pay $0 copay offer may be more aggressive than is necessary and that results in wasted spending!

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What is good for the retail industry with things like food samples is not necessarily good for pharma brands. Giving away a toasted marshmallow on a cracker may be one way that food manufacturers and retailers get a consumer with many food options to try something new. But in pharma, the dynamics are very different. Pharma companies that start at a zero copay find it very difficult to scale back later. In some pharma categories, patients may have a mild influence on the medication their doctor puts them on, but in other categories a patient may have little or no influence on what their doctor prescribes for them. You need to take that into consideration when deciding on what to do with respect to your copay program. What influence do patients have in your category and will a $0 offer have an impact on the patients themselves?

The cheapest is not usually the best

As my grandmother used to say “the cheapest product isn’t usually the best” and that thought is still embedded in many people’s minds these days. As much as many would like to think it’s true, they find a $0 copay is not going to be the deciding factor for a physician to write your brand over another (except for maybe a few extreme cases). Most of the time, HCP’s can’t recall the offer that brands have printed on their copay cards since these cards are usually handled by one of their staff and are laying around in their back room...and hence invisible to the physicians themselves.

Market research has also shown even if physicians can remember the offer on the face of your card, they can’t properly interpret the real value it may have for their individual patients as business rules and card verbiage have become very complex, and the physician may not know the specifics for each patient’s insurance plans (High Deductible Health Plans, cost of all medications the patient may be taking etc.).

Another big issue to consider is that if you do implement a $0 copay offer; at some point you may need to come off that $0 offer to something less lucrative. Getting patients to start paying any amount for something they were getting for free is much more difficult than if they were charged something... anything... at launch.

Issues to Consider

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Managing senior management’s expectations

Obviously you will have a lot of pressure to get the brand off to the right start at launch. This pushes many brands to try and get to market with the best price they can. Many decide on their perceived “perfect offer” even before they run the numbers. Throwing money at your offer will not make your launch more of a success. It is the data that will help you determine your optimal offer, not your gut feel. In my experience in evaluating these copay programs, I have seen many “gut feels” that cost brands tens of millions of dollars. Don’t go with your gut feel… do what the numbers tell you! This is the best chance you will have to succeed! And it will also be the best way to support your recommendation and manage the expectations of senior management.

Work to fill the holes in your managed care contracting

Your copay program is your product’s extra safety net. It should help catch many of the patients who fall through the gaps of your managed care contracting strategy. Designing your copay program to address gaps in your managed care contracting will get you the best results and the best patient outcomes. This approach has two benefits: you are solving your patients’ most pressing issue and you are also solving your own issues related to managed care contracting.

Managed care reporting data can be very complex. And, as a result, brands often struggle with understanding where their managed care gaps are.

Displaying this information graphically (via maps and charts) can make it easier to visually see opportunities and gaps. If you don’t know where your managed care coverage gaps are how are you going to fill them?

Patient out of pocket cost pre copay offer

Looking at the problem from a national perspective (Figure 1) you will see a brand that has a challenge. Their patients’ OOP cost is spread from low to high but they have peaks and valleys at different copay levels. Whenever you see this “grand canyon effect” you can expect to have many things to think about and hard decisions to make when it comes to your offer value, cap and the associated financial results. Remember for a launch it’s important to lay this data out as in Figure 1 (in $5 OOP increments) for your expectations at launch, and 6 and 12 months post.

Taking it to the next dimension

Figure 2 shows the next step which is a market level view. Here you see an example of what a brand’s managed care coverage looked like when plotted on a map. Red is poor coverage and you can see in this example that there are more than a few areas of the country that have issues for this brand. Trying to address market level issues with a national offer can get very expensive very quickly because you would need to sweeten your offer in every market (poor, average and good markets), not just the ones that need it most (in red).
Focus on the Right Things
And you will avoid common mistakes

Keep your eye focused on generating incremental scripts

For many Pharma marketers, spending is evaluated as a number on a budget page. What many are missing is that the $5 million budget line item can generate widely variable results. The number one line item to be looked at is wasted spend or how much of the budget was spent rewarding those patients who would have filled the script even without the copay offer? You may be thinking that identifying wasted spend can’t be done…but it can!

The opposite of wasting your marketing spend is actually generating incremental volume. Marketers should focus on generating incremental volume by bringing more patients into the franchise (via lower OOP costs as well as other brand support programs) and by increasing their patients’ days of therapy. A properly structured copay program will help the patients that really need it, thus turning the tide on the fill and generating incremental volume for your brand.

Few pharma marketers can actually separate incremental volume from base via their claims data files without the help of additional data and sophisticated analytical support. In performing these calculations you will need to consider not only incremental sales generated, but also the incremental margin associated with those sales. Depending on your objectives for the program, incremental sales that just cover the cost of the program may not be good enough - the margin on those incremental sales should be considered when calculating a breakeven point.

Identifying incremental volume can be a real challenge particularly for a launch brand as there is no brand specific history or research to draw on. In addition, the claims data provided by copay vendors does not break out base vs. incremental scripts since the pharmacy adjudication system can’t determine these breakouts…so you’ll need some more sophisticated models and maybe some longitudinal data to gain those insights.

A mistake often made

One mistake many marketers make is looking at their drug in isolation. Some marketers may feel their new drug is unique and therefore learnings from other drugs inside or outside their category may not apply. For some aspects of your brand plan that might be true, but this is not the case when it comes to developing an effective copay offer.

From the patient’s perspective they may see your drug as having two sides: one half is the profile of the drug itself which may have some unique aspects, the other half is the financial profile of the drug and how it fits within their insurance plan (if they have one). For many patients the financial portion of their therapy is made more complex because they take multiple drugs. In these cases patients form an importance hierarchy for their prescribed medications based on these two factors. They may prioritize your drug over the others in their treatment regimen, but each drug is still certainly going to impact their purchase decision in one way or another.

This is why looking beyond your drug to others that may have the same financial profile can be very helpful. It’s important to know where your drug might rank in importance with others the patient may be taking and what the total out-of-pocket costs might be for the patient (including all therapies they might engage in).

Knowing what the total OOP cost of the combined therapies is for your average patient as well as where your drug ranks versus the others they may be taking will allow you to better understand where you will need to be with your copay offer.

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The impact of high deductible health plans (HDHP)

The prominence of HDHP continues to grow as shown in Figure 3. And in 2016, it is estimated that more than 50% of patients are enrolled in a high deductible health plan! It is critically important that brands consider how this shift is impacting their patient population. The truth is tier 2 coverage today isn’t what it used to be 5 years ago! Sadly when brands say “my plan covers 88% of covered lives” it no longer means they have coverage even close to 100% of the time. It’s those new coverage holes we need to fill.

While that coverage might look good on paper, many of today’s patients are struggling with high out of pocket costs for the first 4-6 months of the year while they are meeting their annual deductibles. This poses specific challenges for copay program optimization as the payments that patients will make for medications will vary during the year based on whether they have met their deductible. Your copay card provider or 3rd party analytical consultant can help develop creative approaches to addressing the challenges posed by high deductible health plans.

Summing up: Rising to the challenge of developing the right plan

Devising the optimal copay program for your new product launch is a challenge! There are a lot of unknowns as you move into the launch phase and important factors (such as managed care contracting) may still be evolving throughout your launch period. There are many things to consider as you finalize your copay program such as the impact of High Deductible Health Plans, how your managed care contracting will impact patient copays over time and more! It is critical to have alignment on your brand and program goals and to employ a structured planning process.

However, no matter how much market research data you gather for your new product, you will have very little (if any) data on which you can base your copay offer. There is a massive amount of data to be gathered and made actionable to facilitate your strategic decision making process. Having the right partner to help fill your data gaps and to leverage advanced technology tools to help you test various types of offers pre-launch is a vital component to a successful launch.
About

About the Author and Alpha 1C

About the author, Al Kenney
Al Kenney has 27 years’ experience in sales, marketing, and analytics within the pharmaceutical, OTC, food, direct marketing, and software industries. Al’s expertise lies in the areas of marketing, sales, business process redesign, data, software application design, program implementation, forecasting, and the analysis and measurement of marketing and sales spending.

Al is the founder of Alpha1C, an innovative company headquartered in Sherman, CT, which does strategic marketing, predictive modeling and measurement. Before Alpha 1C, Al spent six years as a partner at M2 Worldwide, a strategic marketing consulting firm. Prior to that, Al spent eight years in the software industry specifically focused on advanced analytics, supply chain, and forecasting. He owned and operated Performance Wave Inc. a software company which also specialized in modeling and forecasting. Performance Wave was sold in 1999. Later, he served as the General Manager for Demantra Inc., a leading provider of analytics and program measurement software (which is now part of Oracle). Al is now applying his knowledge and skills specifically to the food, drug, pharma and bio-tech industries.

In addition to evaluating thousands of sales and marketing programs across many different industries, Al has worked on, forecasted, and analyzed over 50 incentive programs in over 20+ therapeutic pharma and specialty pharma categories.

About Alpha 1C
Founded in 2012, we are marketing, sales, and analytical industry professionals with a deep background in strategy, predictive forecasting, and post event tracking and analysis for sales and marketing programs. We have vast experience solving complex problems and providing key insights across more than 20+ core industries. For the last 6 years, we have been focusing our solutions primarily on the pharmaceutical and bio-tech marketplaces.

Alpha 1C provides key insights to brand teams allowing them to make more informed decisions that provide a better ROI. We work closely with your vendors and agencies to execute your brand’s vision.

We apply truly innovative thinking and approaches to your complex business problems. Our easy to use predictive analysis tools can quickly identify the information you need to run your business more productively and profitably while meeting your business goals.

Alpha 1C has unparalleled experience in:

- Strategic Marketing
- Marketing Program Optimization
- Predictive Modeling & Forecasting
- Sales and Marketing Program Measurement and Reporting
- Brand Building

Our work is easily paid for through the efficiencies and insights we bring to your business.

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