The Roadmap to Capturing Incremental Scripts
How to Capture Incremental Scripts through Effective Patient Copay Programs
Don’t Overspend on Your CoPay Program: Getting it Right Matters

Adjudicated patient copay programs have been around since 2005. What appears to be a simple program to devise and implement on the surface, has continued to be anything but that. This has frustrated Pharma marketers for more than a decade now. While it doesn’t take much skill to throw an offer on a card and get it into market, there is a lot of skill involved in crafting the program to meet the brand’s and patient’s specific needs... From a brand perspective getting it right should produce the most incremental volume possible. This is the one measure that tells you your strategy is working!

At last count, annual spending on Pharma copay programs was estimated at over $6 billion dollars. Yet, with all of that spending there are still very few brands that have gotten it right. Getting it “wrong” costs the brands hundreds of millions in wasted spend. I am defining wasted spend as money that was used to subsidize the OOP costs of a patient that would have purchased anyway based on their acceptable OOP cost (may include a manufacturer discount). Buying the price down below the price inflection point is the major driver here. Brands should be looking at optimizing their copay programs as an untapped opportunity or low hanging fruit. This is done by getting your offer right by reducing OOP costs for the patients who have high abandonment due to high OOP costs not bringing down an already acceptable cost to something even lower.

Understanding the Return on Your CoPay Program

In one of my previous white papers I pointed out that the way most pharma marketers evaluate their spending is incorrect and misleading. I frequently hear of brands touting 20 to 1 ROI’s from their patient copay programs. I’m a “never say never” person so I won’t say it’s impossible, but you’d probably have a better chance of winning the Powerball jackpot than getting that type of return from your copay program. That is not to say it’s not paying out for you, but certainly not at those levels.

The reason the numbers are so high is because many brands leave out a spend component (such as the actual patient discount spend because it comes out of the corporate budget) or because they base the return on total volume coming from copay program claims (not just the incremental portion). In taking a closer look at each of the cost components, we see the patient discount spend (i.e. buying down the price from a patient’s $70 copay to $20) is probably 85% of the total spend for a copay program. Some may chose to ignore this mega spend because they don’t get measured on a budget that isn’t theirs, but who are they kidding? By not counting such a large portion of the program spend you’re not fooling anyone and you are doing your company a big disservice by distorting the numbers.

ROI’s can also get inflated by looking at total volume from your claims (IE: basically this is saying every claim equals an incremental sale). This is an erroneous calculation which makes the leap that all claims are incremental. That’s just plain false! But copay vendors can’t tell you what percent of your scripts are incremental so you’ll have to go to a company like IMS, Symphony, Adheris or Alpha 1C to better understand the incrementality related to your copay card claims.

The funny thing is that most brands also leave out an important ROI component which could actually make the ROI numbers look better – many base their ROI’s solely on claims data and don’t follow the patient through their whole journey which may include additional fills for the brand without the copay card.

Yet, with all of that spending there are still very few brands that have gotten it right. Getting it “wrong” costs the brands hundreds of millions in wasted spend.
Measuring True Return from Your Program
A critical component of your brand’s long term success

What to Measure: An Example
if you have a free trial offer to bring new patients into your brand franchise, followed by two PNMT $20 offers on the next two uses, what happens on the patient’s 3rd renewal? If you are just using claims data, this patient will “disappear” from view and you may not capture the 3 additional refills they had which were at full price and did not involve the use of a copay card. However they would not be in your franchise if it were not for the card, so you should make every effort to include what might happen in the future in your ROI calculations.

Accurately measuring the true return from your program is critical to your brand’s long term success and ensuring that you are properly structuring your program. Basing program return just on total claims data or assuming that all the claims are incremental or not including the patient discount spend can drive the 20 – 1 ROI’s we’ve been talking about. These returns are dramatically overstated and don’t focus on true incrementality which is the only way to effectively and efficiently grow your brand.

The Importance of Incrementality
A brand may have many objectives for their copay subsidy program: increased sales, profit, adherence, trial, greater opt-ins into RM programs, lower patient abandonment rates & increased ROI to name a few. However, there is one “string” that ties all of these goals together... incrementality!

Think about it: what is volume without incrementality? It’s paying more in the form of discounting for volume you would have received anyway. Essentially, without incrementality, it’s just a wasted effort and that money could have been spent more effectively elsewhere.

Without Incremental Sales, Why Do it at All?
If you are not driving more incremental sales, which should lead to more profit, then why do it at all? Just to have an offer in market? The answer is that you shouldn’t spend without knowing you are getting some type of measurable return (which doesn’t always have to be monetary). But how do you generate incremental volume through your copay program? And how can you plan for it?

Finding the elusive incremental volume

To find the incremental volume we need to start at the beginning. You need to understand your competition in the category and their offers, your managed care contracting strategy and status, and current position in the marketplace.

Only then will you begin to understand where the incremental volume opportunities are most likely to be found for your brand.

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The Pillars of Your Program

You need to think of your managed care contracting efforts as the pillars on which your overall promotional strategy can be built. The first thing you must do is understand the position you are in when it comes to patient out of pocket costs. Many brands start with an average patient OOP estimate, but often times, those estimates are incorrect and do not consider the impact of high deductible health care plans and the impact of the patients who are insured but not covered. Many brands make the mistake of basing their copay program offer off their average patient OOP cost and this leads to a suboptimal program design.

So how do you utilize your managed care data in a way that allows you to get an accurate read on your patients OOP costs? We typically use the managed care data to break down a brand’s potential patient base into $5 copay buckets. Then we use our models to look at the impact a potential offer will have on each of those buckets from $0-$5 all the way up to the brand’s highest retail price point.

Differentiating Pre and Post

You may have picked up on what I just mentioned...I said “use your managed care contracting data to determine copay groupings for ‘potential’ patients” What do I mean by that? Again many Pharma brand marketers make the mistake of looking at their claims report from their copay vendor to make a determination regarding the average claim amount, patient copay OOP, and the copay ranges for their patients.

What they don’t understand is that claims data is what I’ll call “post-offer data”. Post offer data is helpful in evaluating a program after the fact but it won’t help you plan your next offer. Why? Because claims data is the result of the “stimulus” you placed in the market (your copay offer discount) which attracted only a subset of the patients in the market.

Let’s Look at An Example

For example if your in-market offer is “Save $5” you would probably wind up with claims data showing that you attracted patients at the lower copay OOP levels because the $5 savings wasn’t much of an incentive, especially for those with high copays. In contrast, a “pay as little as $50” offer would exclude patients with low copays giving you a totally different result. Using either of these scenarios as your starting point would give you inaccurate results.

Looking at that claims data tells you nothing about your potential patient population pre-offer. This is where your managed care data comes into play. You need a good look at what levels of patient copays you can expect based on your managed care coverage for commercial patients, as well as your cash payers and insured not covered (INC) patients.

Once you have a good understanding of how your potential patient population looks pre-offer, you can begin your search for the elusive “incremental volume”.

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Maximizing Incremental Value
Find your gaps

Your CoPay Program is Your Patient’s Safety Net
Even if you have an unlimited budget, every managed care contracting strategy will have some holes in it. The key is to structure your copay program to capture some of those patients who will be falling through those holes. If you can do this, you can maximize the incremental volume from your copay program.

What many forget is that a copay program isn’t meant to replace your managed care contracting strategy, it’s meant to compliment and supplement that strategy. Here is where many make the mistake and this can be a costly mistake indeed!

Identify and Plug the Gaps in your Managed Care Contracting Coverage
Where is this Elusive Incremental Value?
A look at abandonment rate

Where to Find Incremental Value
To answer this question I’ll start with abandonment rates which are a topic most pharma marketers are familiar with. There have been a handful of studies on this topic done by a variety of market research firms and retailers. The key takeaway of all of these studies is simple...the higher the patient OOP at the pharmacy, the more likely the patient will abandon the script due to cost (higher cost = higher abandonment rate).

Abandonment increases as copays get higher, so it should come as no surprise that the potential for incremental volume also increases as copays get higher.

With that fact everyone should agree that:
Capturing an abandoned patient = incremental patient = incremental volume

So, if abandonment rates increase as patient OOP costs rise, it makes sense that there are higher percentages of incremental patients to be captured at the higher patient copay OOP levels.

Said simply... every abandoned patient you save/capture is one who will be incremental to your brand. It is clear that there are more incremental patient scripts to be gained at the higher copay levels. This would seem to be an obvious fact to most, but many programs I have evaluated have gone another route, focusing on those patients with the lower copays where the potential for capturing incremental volume is not as great.

An Example
Let’s use as an example a brand with an average patient OOP of $50 and a brand offer of PNMT $35. It’s the #1 brand in the category and at par or better vs. any other competitor from an efficacy standpoint. They want to have the best offer (or match the best) by bringing down their copay via a PALA $25 offer thinking this will drive “incremental” business. Looking at Figure 2, you will see that there are 10% of patients for this brand with copays between $25 and $35 which means claims can increase by as much as 10%. This wouldn’t be because the $25 offer drove more business, it’s because another 10% of the brand’s patients who, at $35 were not eligible to receive the offer, now are.

Making that change would certainly have cost the brand more money, but the chances are very small that this new claim volume would be truly incremental.

Example of Incremental Data for a Brand

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Abandonment Risk by CoPay Amount
Risk of Abandonment vs. Greater Incrementality vs. Pre-Offer CoPay

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Finding Incremental Volume

In looking at the chart in Figure 3, you’ll see that the percentage of incremental volume is much lower at the lower copay levels. This is because the OOP price is low and the abandonment rate is also low. This shows us that chasing incremental volume here really isn’t worth the expense. The net result is that the brand has given the majority of patients who used that revised offer another $10 to put in their pockets: “thank you brand X, but I was going to fill anyway! I’ll see that extra discount to get myself another latte” The result is you have done little to help the patients with the high copays that provide the greater potential for incremental volume.

Drilling Through

Figure 4 shows where the greatest numbers of patients are (based on their copay OOP cost). You can see here that most patients have OOP amounts (before the copay program discount) of between $40 - $100. So now we are getting closer to identifying where the incremental volume opportunity truly is. Next we combine where the potential for the incremental volume is with the distribution of patients based on the OOP costs. Essentially we are combining Figures #3 and #4 to create a “weighted incremental” opportunity chart as shown in Figure 5.

Its only when we combine these two pieces of information that we can see clearly where the incremental opportunity really is for this brand. In this case, the brand would be smart to focus on trying to attract the patients with the $60 - $100 patient OOP costs by offering a copay offer structure that matches those patient’s needs. You can clearly see that there is incremental volume to be found at higher copay OOP levels but there is little of it and the cost of acquiring that volume is too high. You are better to identify the incremental volume and formulate your copay offer strategy to acquire that volume at reasonable levels of spend.

Alterting the face value of your coupon up or down impacts your ability to capture incremental scripts

Few realize how changes in the copay program can impact the program budget and the ability to secure those potential incremental scripts. Let’s just say your current coverage is tier 2 with an average copay of $40 and your copay offer for commercial patients is PALA $35, Cap $75 and you have 30% of patients with OOP costs between $111 and $200. Your coverage “waterline” is at $110 (offer of $35 plus cap $75 = $110 of coverage). This means that the 70% of patients with an OOP cost of $110 or less (pre offer) would all be covered to the face value on the card ($35).
The Bottom Line
How to use your copay program as a safety net

Why not Just Improve My Offer?
Far too often I see brands wanting to improve the face value of their offer for a variety of reasons without considering all the details related to the incremental volume opportunity. Some brands feel that by improving their offer value they will impact HCP script writing in a positive way. That thinking is based on the premise that HCP’s prescribe the drug with the lowest price – yet a great deal of research would tell you otherwise. It’s still the efficacy of the drug that drives HCP script writing habits.

Stop the Falling Through the Cracks
In order for the copay program to be used as a safety net, we must try and help the people who fall through the cracks of the managed care coverage. This is done effectively by focusing on the patients with the higher copays who also have the highest opportunity for incremental volume. It’s not done by reducing already sufficiently low patient copays. In Figure 6, the orange box shows the incremental volume that could be up for grabs with an alternate approach: a $50 offer. Here you have an opportunity to bring down the abandonment rate by subsidizing their copay OOP costs to more manageable levels (depending on the cap implemented). Although you may not be able to help everyone at the highest OOP levels due to cost, you may be able to generate more incremental volume at a reasonable cost by adjusting the face value of your offer to a higher amount.

It would be rare for an HCP to change their prescribing habits for an additional $5 or $10!

If the brand had made the copay offer more attractive in this example, the brand may have:

- Had no impact on HCP prescribing habits
- Had very little impact on attracting incremental patients or scripts
- Raised the cost per claim by $5 or $10 for every claim paid!
- Failed to reduce the cost for every patient down to the face value on the card for those with an OOP cost of $110 or more
- Reduced brand profitability and ROI

If the brand has an average patient OOP cost of approximately $40 (pre-offer), any copay offer that is less than that will essentially complement the brand’s managed care strategy. Bringing the OOP down to lower levels may be what the brand needs to do, but what was that decision based on? A gut feel, or a desire for the offer to be more competitive?

The brand needs to stop and think about whether this downward movement is what is best for the brand and whether the copay program is being structured as a safety net to support those who need it most or as an across the board supplement to the brand’s managed care contracting strategy.

Your copay program operates best as a safety net, not a bottom trawling net that captures everything in its path! If you structure it to compete with your managed care contracting strategy you could wind up “double dipping” and those costs can be very high.

If you want to capture the most incremental volume there is a very good chance that structuring an offer with a higher copay value can yield you much better results.
In Summary

Copay programs are an important, strategic vehicle for building your brand, particularly when structured in a way that complements and supplements your managed care contracting strategy. In the course of our work with clients, we have seen many ways (and many flawed ways) of evaluating copay programs. But as we point out, focusing on incrementality is the key to building your business for the long term. Understanding your managed care coverage and uncovering the biggest opportunities for incrementality is critical to structuring a great performing program that delivers the return on investment that your brand and company should be expecting.

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-technology 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 and utilize our easy to use predictive analysis tools so you can quickly identify the information you need to run your business more productively and utilize the most profitable solutions to meet 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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