

# Alternative Funding Programs

What Employers Need to Know



## How AFPs Work

Alternative funding programs (AFPs) are designed by for-profit third-party vendors and marketed as a cost-saving tactic for self-funded employer plans. AFP vendors work with the health plan to exclude specialty drugs from coverage or deny prior authorization. In both instances, vendors then seek to procure the employee's medication from a manufacturer patient assistance program (PAP), which supplies prescription drugs at no cost directly to consumers.

## Potential Ethical Issues

- Coercive Program Design
- Privacy Concerns
- Delayed Treatment Access
- Inequitable Health Benefits
- Depleting Resources for Uninsured/Underinsured Patients



## Legal & Regulatory Risks\*



AFPs may raise a number of legal and regulatory concerns:

<b>FDA</b>	Importation of foreign drugs
<b>HIPAA</b>	Discrimination of benefits based on a health factor (e.g., a chronic condition)
<b>FTC</b>	"Unfair" trade practices under certain state and federal consumer protection laws
<b>ERISA &amp; CAA</b>	Potential breach of employers' fiduciary duty to prudently use health plan assets to provide comprehensive benefits
<b>ACA</b>	Categorizing specialty drugs as non-essential health benefits

## Possible Employer Impacts

### Employee Turnover

Dissatisfying health benefits may lead to loss of valued employees

### Potential Lawsuits

Employers are not protected from legal culpability

### Higher Long-Term Medical/Drug Spending

Treatment delays could lead to higher employee healthcare claims

## Alternatives for Employers

There are more effective and ethical ways to address increasing costs than resorting to AFPs:

1. Be selective when choosing a pharmacy benefit manager (PBM)
2. Consider independent formulary management
3. Offer care management resources
4. Invest in preventative healthcare, high quality primary care, and access to comprehensive care management centers
5. Reduce employee cost-sharing for essential medications

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\*This content does not and is not intended to constitute legal advice.

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