

Health insurance plans group medications on a list called a drug formulary (sometimes referred to as a Preferred Drug List or PDL). This list includes all the prescription drugs, both generic and brand-name, that your insurance plan will help pay for. Keep in mind, this is not a list of all available medications, but rather those your plan agrees to cover. If a medication is not on the list, your plan may not pay for it.

Whether you have insurance through a private company, Medicare, Medicaid, or Tricare, your insurance plan uses a formulary to decide which medications are covered. The drugs are grouped into tiers, and the cost of your medication can depend on which tier it falls into. Lower-tier medications usually cost you less out-of-pocket, while higher-tier medications are more expensive.

## WHAT ARE SPECIALTY MEDICATIONS?

Specialty medications are typically placed in the highest tiers. These are drugs used to treat complex, chronic, or rare conditions, such as cancer, HIV/AIDS, multiple sclerosis, or genetic disorders. Specialty medications are often very expensive and require special handling, storage, or administration (like injections or IV infusions at a hospital or doctor's office).



## ALTERNATIVE FUNDING PROGRAMS (AFP)

Some health insurance plans use a cost-saving approach called an alternative funding program (AFP), which can affect your access to specialty medications and increase your out-of-pocket costs. Here's how it works:

- If your medication is labeled as “non-essential” (because it’s expensive), your insurance may deny coverage for it.
- To help cover the costs, your insurance plan may push you into an AFP, which helps you get medications through patient assistance programs run by drug manufacturers or charitable foundations.
- These programs often require you to provide personal information (like income or family size) to find financial assistance for your medication.



## POSSIBLE FUNDING SOURCES

The AFP may help you access your medication through different sources:

- **Drug Company Programs:** Some drug companies offer free medications to people who are uninsured or have limited insurance. Others provide help with copays, reducing your out-of-pocket costs.
- **Charity Programs:** Independent charities and patient groups may offer financial aid if you meet their requirements, often for those with inadequate insurance.
- **Drug Imports:** Bringing in medications from other countries.

## THE ROOT OF THE PROBLEM

When a manufacturer or charity helps pay for the medication, your health insurance is not covering the cost. Instead, these outside sources pay for most of the drug, but it doesn't count toward your deductible or out-of-pocket maximum. This means that while you might not pay for the drug up front, you could end up paying more for your healthcare overall.

## ALTERNATIVE FUNDING PROGRAM EXAMPLE

Traditional Insurance Plan	Alternative Funding Program
<ul style="list-style-type: none"> <li>• <b>Medication Cost=</b> \$2000</li> <li>• <b>Health Plan Cost=</b> \$1600</li> <li>• <b>Your cost=</b> \$400 in copays and deductibles.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Medication cost=</b> \$2000</li> <li>• <b>Health Plan Cost=</b> 0</li> <li>• <b>Patient Assistance Program=</b> \$1600</li> <li>• <b>Your cost=</b> \$400. However, the \$400 you pay does not count toward your copay, deductible, or out-of-pocket maximum for the year.</li> </ul>

## WHAT YOU CAN DO

It's important to stay informed and advocate for yourself:

- Appeal to your health insurance company for the denial of the medication. Use our guide [here](#) to help.
- Pay attention to your plan options during Open Enrollment. You can reach out to the health plan before signing up to ensure your medication benefits are not subject to an AFP.
- Contact your elected officials to raise awareness about the potential issues with alternative funding programs.

**Your health insurance may be trying to avoid paying for expensive medications by pushing you into an alternative program. While these programs can help with the cost of your medication, they shift the financial burden onto you in other ways, such as not counting the assistance toward your out-of-pocket costs. Make sure you understand the full impact of these programs on your overall healthcare costs.**

Curious about other topics? PAF's **Education Resource Library** houses our resources and provides straightforward information in a variety of formats to help you make informed decisions throughout your healthcare journey. Learn about health insurance, disability, medical bill management, and more by visiting our Education Resource Library today. Call us anytime at 800-532-5274 or visit [www.patientadvocate.org](http://www.patientadvocate.org) for help!

