

# Fact Sheet: Alternative Funding Programs (AFPs)

## Background:

Alternative Funding Programs are programs designed by for-profit third-party vendors and marketed to employer sponsored self-funded health plans. AFP vendors either work with the health plan to exclude specialty drugs from coverage or automatically deny prior authorization for specialty medications. In both instances, vendors then seek to procure the employee's medication from another source, typically a manufacturer patient assistance program (PAP). However, in some instances, AFPs even source medications from foreign countries.

## Alternative Funding Programs Can Harm Patients

AFPs get charity drugs for free and take a fee from insurance companies and employers, who save money. AFPs reduce insurance coverage for drugs, make patients wait for PAP approval to obtain drugs, and put drug access at risk. Meanwhile, PAP aid available for patients in true need is reduced. Additionally, the arduous and convoluted process patients must endure while experiencing an AFP can result in delayed or missed treatments, leading to negative health outcomes and even hospitalizations.



## "Patient Advocates"

Many alternative funding plans falsely refer to themselves as "patient advocates," because they, as part of the services they are paid for, assist patients in the process of signing up for a PAP. However, the reason patients must sign up for a PAP in the first place is due to the AFP purposefully obstructing drug coverage for the patient. AFPs profit each time they successfully enroll a patient in a PAP; It is highly inappropriate and misleading to consumers for AFPs to classify themselves as leaders in patient advocacy.

## What Can Be Done?

Currently, no federal legislation has been introduced to stop this harmful scheme. However, efforts are being made to educate federal agencies, such as the FDA, FTC, and Department of Labor, about AFP practices. Likewise, patient advocacy organizations are raising awareness around the risks of AFPs for employers and employees, and are working to educate employers on more ethical cost-containment strategies. Finally, some companies have filed lawsuits against AFPs, alleging that they exploit charitable assistance programs or siphon money.

Overall, whether through legislative or regulatory action, *alternative funding programs must be banned.*

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# How Do AFPs Work?



First, an alternative funding plan vendor approaches an employer who has a self-funded health plan with promises of saved costs on prescription drug spending for the employer.



To save costs, AFP vendors work with the health plan to exclude specialty drugs from coverage or automatically deny prior authorization for specialty medications. The AFP receives a fee for their services.



With their specialty drug prescriptions denied, employees on this health plan must now sign up with the AFP to receive their prescriptions.



The employee who is affected by the AFP must provide the AFP with personal and financial information which the AFP uses to complete the employee's patient assistance program (PAP) application.



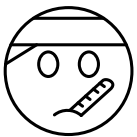
If the employee is eligible for the PAP, they receive medication from the manufacturer at no cost. However, PAPs are not designed to be a permanent solution. Typically, they only last for a brief period of time and are intended for low-income or uninsured individuals.



If the employee is ineligible for a manufacturer PAP or if there is no PAP available for the prescribed medication, the AFP vendor may pursue other avenues, including attempting to import the medication from abroad in potential violation of the Federal Food, Drug, and Cosmetic Act.



Ultimately, If the medication is secured for free through the PAP or is imported from a foreign pharmacy, the employer's short-term healthcare costs may be reduced, with the AFP vendor taking a cut of these savings (anywhere from 20%-30%) or charging a flat fee.



If alternative funding is not secured and the drug is not sourced from abroad, the prescription may boomerang back to the employer, who has the option of covering it as a normal pharmacy benefit – rendering the entire process ineffectual. In some cases, the drug will not be covered at all.



Overall, AFPs create unnecessary barriers and stress for patients who depend upon specialty medications and employers seeking to reduce their health plan's drug spending should be aware of the ethical issues and impact on employees posed by AFPs.

*\*Resources adopted from materials provided by Hemophilia Council of California*  
([https://www.hemophiliaca.org/wp-content/uploads/2024/03/AFP-White-Paper\\_FINAL.pdf](https://www.hemophiliaca.org/wp-content/uploads/2024/03/AFP-White-Paper_FINAL.pdf))

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