



August 21, 2025

The Honorable Kyle Brown, Chair
House Health & Human Services Committee
State Capitol, 200 E Colfax
Denver, CO 80203

Re: Opposition – Prescription Drug Sourcing Transparency and Integrity Act

Dear Chair Brown and Committee Members:

The **Biotechnology Innovation Organization (BIO)** and the **Colorado BioScience Association (CBSA)** respectfully asks for your **opposition to the Prescription Drug Sourcing Transparency and Integrity Act**, which seeks to permit so-called “pharmacy stewardship programs” and “alternative prescription drug sourcing programs.” These programs, otherwise known as alternative funding programs or AFPs, are extremely harmful for patients and under no circumstance should they be permitted by the state.

AFPs are led by third-party vendors who assist employers in limiting their benefits such that certain patients, often with rare conditions, effectively have no coverage for specialty medications. The vendors then, in turn, work with the patients prescribed the specialty drug or treatment to obtain their medication via patient assistance programs at manufacturers or other charitable foundations’ expense.¹

AFPs Harm Patients. In removing coverage for a specialty drug, the employer and the AFP then inappropriately exposes patients to significant delays in care, added administrative burden, and uncertainty that their medicine will be covered. These can create a range of problems for patients, including a lack of continuity in care, which can lead to worse patient outcomes. As the Immune Deficiency Foundation notes, “a patient driven into an AFP may experience an interruption in coverage that delays their access to a lifesaving drug, possibly for months.”²

AFPs Result in a Misallocation of Charitable Funds. Patient assistance programs by both manufacturers and other foundations typically have low-income and non-insured status requirements in place for patients using that assistance. Thus, the AFP, by portraying a member disingenuously as uninsured or underinsured, can subvert the charitable intention of the needs-based assistance to cover the cost of the treatment now carved out of the employer’s health benefit package. AFP vendors inappropriately refer employers and patients to use needs-based funds from charitable foundations that were established to help underinsured and uninsured patients.³ Patients

¹ Vivio, “ERISA and IRS Compliance Related Issues for Alternative Funding Programs.”

² “Alternative Funding Programs Hinder Access to Medications.” Immune Deficiency Foundation. February 26, 2024. Retrieved: <https://primaryimmune.org/resources/news-articles/alternative-funding-programs-hinder-access-medications>

³ Adam Fein, “Employers Expand Use of Alternative Funding Programs- But Sustainability in Doubt as Loopholes Close” May 17, 2023. Retrieved: <https://www.drugchannels.net/2023/05/employers-expand-use-of-alternative.html>

with real unmet needs must then compete for patient assistance program funds with financially sound payers and patients who would not otherwise be eligible for charitable support.⁴ If a patient is not eligible to receive patient assistance due to income or other qualifying criteria, a patient with coverage featuring an AFP may simply go without the needed drug.

AFPs Deceive Employers into Cutting Employees' Healthcare Coverage. The employers partnering with AFP third-party vendors can be unaware of how the AFPs operate as AFPs “misrepresent” their patients to the medical charities.⁵ Third party vendors’ actions can result in employers cutting a full class of specialty benefits without realizing it. Sometimes, once they realize what has occurred, employers end up paying out of pocket for their employees’ healthcare, after they have already paid an insurance premium, expecting subsequent coverage and care for the employee. The deceiving practices of AFP vendors could potentially violate not only federal employment and benefit laws, but also false advertising laws, and a range of state insurance codes.⁶

AFP vendors will often seek to source products from pharmacies located outside the United States, posing significant risks to patient safety. As the Partnership for Safe Medicines notes, AFP vendors work outside of the U.S. Drug Supply Chain Security Act (DSCSA), so “there is no way to know whether employees forced into their programs are receiving legitimate FDA-approved medicines or what the vendor supplies as a “foreign equivalent.”⁷ In fact, this opens up the potential for patients in the U.S. to get “fake or substandard drugs that may contain no medicine, the wrong amount of medicine, the wrong medicine, or dangerous contaminants.”⁸

The bottom line is that AFPs are yet another party inserting themselves into the revenue stream of healthcare. They are charging the employer a share of what they are saving, without adding any value— and instead causing harm— to patient outcomes. For these reasons, **BIO and CBSA opposes any state efforts that would expand the use of AFPs and urges the Legislature not to move forward with the bill.**

Should you have any questions, please do not hesitate to contact us at pcastro@bio.org and agoodman@cobioscience.com.

Sincerely,

/s/

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BIO

/s/

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⁴ Adam Fein, Op. Cit.

⁵ Vivio, Op Cit.

⁶ “Alternative Funding Programs: Offshoring patients, importing risks.” The Partnership for Safe Medicines. Retrieved: <https://www.safemedicines.org/2024/04/afps-offshoring-patients-importing-risks.html>

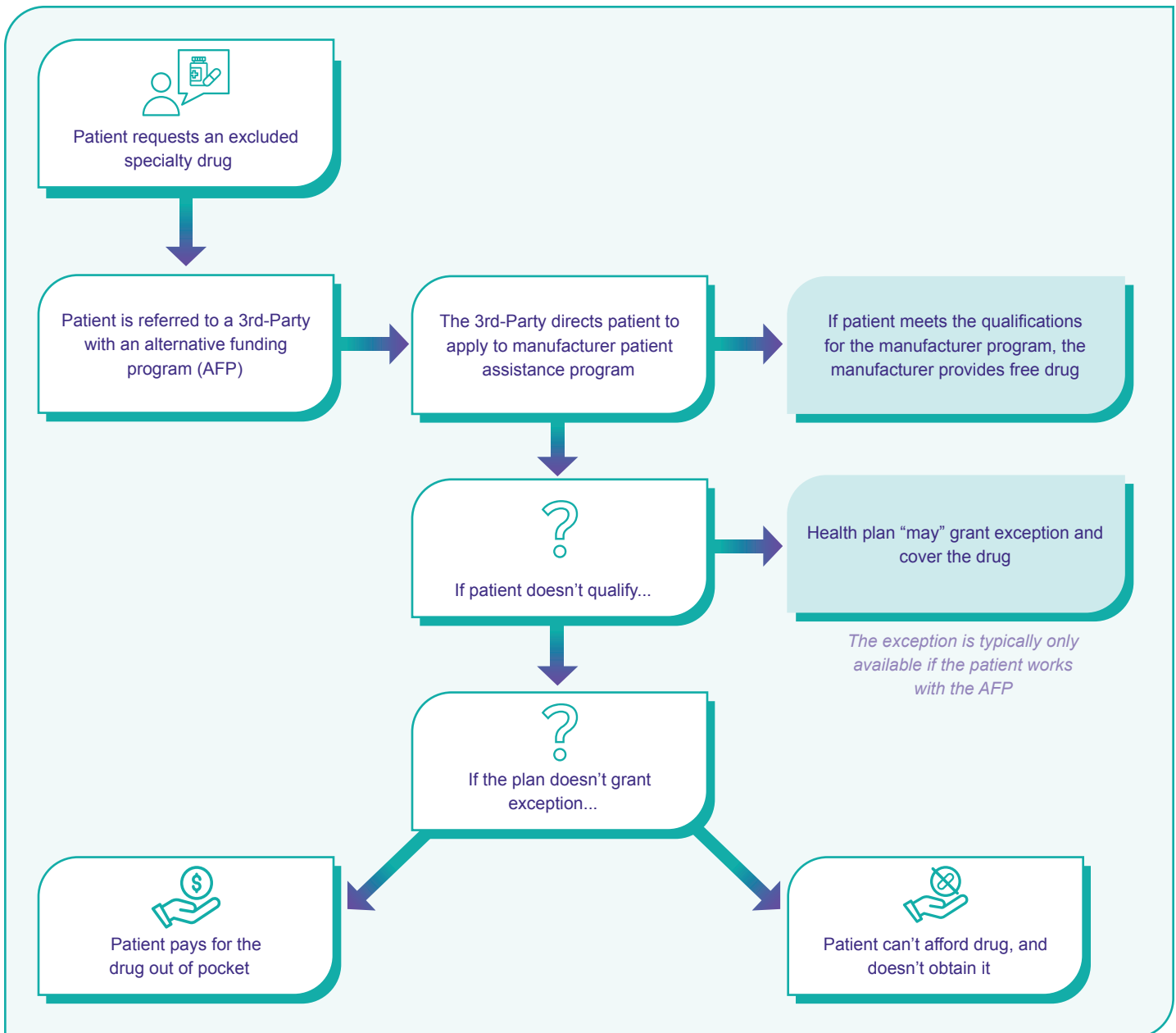
⁷ The Partnership for Safe Medicines, Op Cit.

⁸ The Partnership for Safe Medicines, Op Cit.

GROWTH IN ALTERNATIVE FUNDING PROGRAMS THREATENS PATIENT ACCESS TO MEDICINES

Alternative Funding Programs (AFPs) are an emerging business model that threatens to dismantle the promise of comprehensive drug coverage for many Americans, if left unabated. AFPs are operated by a third-party that exploits a loophole in offerings of charitable organizations and patient assistance programs (PAP).

How Do AFPs Make It Harder For Patients To Access Medicines?



¹ The AFP Flowchart is for illustrative purposes only and is not intended to describe every AFP arrangement in existence.

Fundamental Threat To Comprehensive Prescription Drug Coverage

THE AFP MODEL IS BASED ON DECEPTION.

PAPs are charitable programs designed as a “last resort” for patients in need of lifesaving therapies who otherwise lack prescription drug coverage. By advising health plans to exclude coverage for specialty drugs (as many as 300 specialty drugs may be excluded),² AFPs are creating the appearance of false non-coverage. In many cases, patients are told: 1) that their drug will be non-covered if they do not cooperate with the AFP and apply for coverage through the PAP; and 2) that if coverage is unsuccessful through the PAP, the plan may ultimately offer them coverage.³ *Thus, patients are forced by the AFP to disguise themselves as without coverage even if they are told coverage through their plan remains available as a last resort.*

REDIRECTS FUNDS FROM PATIENTS TRULY IN NEED.

Funds available through charitable organizations and PAPs are a limited resource. By forcing otherwise insured patients to access these finite resources, AFPs are redirecting charitable funds reserved for patients truly in need. These particular patients tend to be uninsured or underinsured, low-income, and highly reliant on these medications for life-sustaining treatment.

VENDORS MARKETING AFPs ARE HIGHLY MOTIVATED AND TARGETED.

Based on a review of publicly available materials, these vendors are currently targeting plans with the following characteristics: 1) self-funded employers; 2) 800–1,200 lives; and 3) patients who are likely to meet PAP income requirements.⁴ Vendors promoting AFPs are highly motivated to market their services because their revenue model is based on a percentage of annual drug costs (typically 20%-30%.) Given the sheer profit motive, this model is likely to expand to additional plan sizes and types.

PUTS PROFIT FIRST, PATIENTS LAST.

In a typical case, patients receive an abrupt notification that their medication is no longer covered by their health plan, with no further explanation. In most cases, these are patients on long-term therapies for serious, chronic, and often rare conditions. *The drug is not excluded for medical reasons, but instead for the sole purpose of shifting financial responsibility to the charitable PAP.* This notification is not only distressing for patients; it can also result in arbitrary delays as patients wait for the PAP to determine whether they are eligible for the program.

TAKEN TO ITS LOGICAL EXTREME, AFPs UPEND THE PROMISE OF COVERAGE.

While currently limited in scope to a subset of self-insured health plans and to a subset of specialty medications, the profit motive of these arrangements could ultimately upend the insurance market for prescription drugs. Patients today expect that medically necessary and appropriate therapies will be available for coverage under their plan – the AFP model threatens this promise of coverage.



QUICK FACTS ON Alternative Funding Programs

- More than a dozen are currently in operation (ex: PaydHealth, PayerMatrix, RxFree4me, SHARx)
- Survey results show **8%** of plans are using AFPs; 31% are exploring their use⁶
- AFP vendors receive between **20%–30%** of the total drug costs when they shift a patient to a PAP⁷
- The fundamental business model is based on **misrepresentations**. To obtain funding, representations are made that the individual has no insurance for specialty drugs
- AFP vendors are currently targeting smaller, self-funded plans (ex: municipalities, school districts, unions)

² SHARx.com: Frequently Asked Questions. <https://www.sharxplan.com/faqs>.

³ Payer Matrix Letter to Vancouver Firefighters Union Health & Welfare Trust. <http://www.vanfiretrust.org/payer-matrix.html>.

⁴ “Trends in Specialty Benefit Design,” Pharmaceutical Strategies Group, 2022. <https://www.psgconsults.com/2022specialtyresearch>.

⁵ “Emerging Market Solutions for Specialty Drug Management,” Archimedes, February 2022. <https://archimedesrx.com/white-paper-emerging-specialty-strategies>.

⁶ Drug Channels Institute Analysis of Trends in Specialty Benefit Design, Pharmaceutical Strategies Group, 2022.

⁷ “The Shady Business of Specialty Carve-Outs,” Drug Channels Institute, August 2, 2022. <https://www.drugchannels.net/2022/08/the-shady-business-of-specialty-carve.html>.