Testimony Opposing House Bill 469
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Chairman Lipps, Ranking Member Boyd, and Members of the Committee, my name is Scott Woods, Assistant Vice President, State Affairs on behalf of the Pharmaceutical Care Management Association (PCMA). PCMA is the national association representing America's pharmacy benefit managers (PBMs). PBMs administer prescription drug plans and operate mail-order and specialty pharmacies for more than 266 million Americans—including more than 10 million Ohioans—with health coverage through large employers, health insurers, labor unions, and federal and state-sponsored health programs.

PBMs exist to make drug coverage more affordable by aggregating the buying power of millions of enrollees through their plan sponsor/payer clients. PBMs help consumers obtain lower prices for prescription drugs through price discounts from retail pharmacies, rebates from pharmaceutical manufacturers, and using lower-cost dispensing channels. Though employers, health plans, and public programs are not required to use PBMs, most choose to because PBMs help lower the costs of prescription drug coverage.

PCMA opposes HB 469, which would require health insurers to count all payments made by patients (directly or on their behalf) toward their deductible and overall out-of-pocket maximums, unless a medically appropriate generic equivalent is available. I want to emphasize at the outset of my testimony that **PCMA does *not* oppose true means-tested patient assistance programs that help individuals afford their prescription drugs.** There is an important difference between means-tested patient assistance programs and copay coupons, which are targeted to individuals with health insurance.

I know some Members of this Committee are concerned that financial assistance that a patient may receive from her church or family, for example, would fall under the umbrella of "amounts paid…on behalf of the enrollee,"[1] under the bill and would thus be counted under a copay accumulator. **This is not the case.** Copay accumulator programs would not count such financial assistance because that charitable contribution made on behalf of the patient is not steering a patient toward the use of a particular prescription drug, like a copay coupon.

The unfettered price increases of prescription drugs put patients at risk and health plan sponsors in the difficult position of either having to cut benefits or increase premiums, copays and deductibles. While health plans pay the vast amount of their members' prescription drug costs, drug manufacturers' price increases have forced health plans to create new benefit designs that

keep monthly premiums as low as possible—but require some members to shoulder more of the cost before their deductible is met.

Drug manufacturers encourage patients to disregard formularies and lower cost alternative by offering "coupons" to help the patient cover that higher cost. This ultimately steers patients away from cheaper alternative drugs such as generic drugs (with low copays) and toward more expensive brand drugs (with high copays), or more expensive brand name drugs, ignoring potentially equally or more effective and less expensive alternative medications.

By definition, copay coupons target only those who already have prescription drug coverage (i.e., those who pay copays). Copay coupons are not means-tested or designed to help the poor or uninsured. Considered illegal kickbacks in federal health programs, copay coupons are still permitted in the commercial market.

Copay accumulator programs are health plan programs designed to thwart drug manufacturers' efforts to force employers, unions, and public programs to pay for expensive, unnecessary brand medications through the use of copay coupons. Accumulators typically disallow the counting of the manufacturer's coupon towards the patient's out-of-pocket maximum and deductible because the patient hasn't actually incurred the cost. This ensures that the patient has the incentive to use the plan formulary and that the plan functions as it was designed.

Copay coupons have the effect of driving up costs for health plans, employers, and ultimately, consumers, because they drive patient utilization to higher cost drugs. A study published in the American Economic Journal estimated that copay coupons increased drug spending by up to 4.6 percent. According to the study, each 1 percent increase equals approximately $1.5 billion in higher drug spending annually.[2] Additionally, manufacturer coupons increase total spending by $30 to $120 million per drug.[3] It is estimated that for every $1 million in coupon donations, pharmaceutical manufacturers reap $20+ million in profits. According to a 2017 AARP report, "Even after accounting for their research investments drug companies are among the most profitable public businesses in America. And an analysis from the research company Global Data revealed that 9 out of 10 big pharmaceutical companies spend more on marketing than on research."[4] Coupons are, at their core, a marketing tool.

Supporters of coupons say that they decrease costs for patients. While they can decrease an individual patient's cost at the pharmacy counter, ultimately, the patient and the plan pay more overall. Coupons are temporary—the individual patient likely pays more when the coupon goes away, instead of being started on the formulary drug from the start. It is the manufacturer who benefits by forcing the plan (indirectly the patient) to pay for the more expensive drug.

If drug companies are concerned about patients accessing medications, they should simply lower their prices, yet drug makers have determined that it is more profitable to increase copay

assistance rather than just making their medications more affordable. The simplest, most effective way to reduce patient cost on drugs is for manufacturers to drop the price of the drug.

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[1] Ohio House Bill 469 (133rd General Assembly, Regular Session, 2019-2020), as introduced, at lines 125-126.
[2] "When Discounts Raise Costs: The Effect of Copay Coupons on Generic Utilization," available at: http://www.hbs.edu/faculty/Publication%20Files/DafnyOdySchmitt_CopayCoupons_32601e45-849b4280-9992-2c3e03bc8cc4.pdf, October 2016.
[3] *Id.*
[4] "Why Drugs Cost So Much," AARP, available at: https://www.aarp.org/content/dam/aarp/health/healthyliving/2017/04/drug-prices-download-final.pdf.

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