Testimony Opposing House Bill 135
Connor Rose
Director, State Affairs
Pharmaceutical Care Management Association
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Chairman Lipps, Vice Chairman Holmes, Ranking Member Russo, and members of the House Health Committee, thank you for the opportunity to present testimony today. My name is Connor Rose and I am the Director of State Affairs for 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 with health coverage through large employers, health insurers, labor unions, and federal and state-sponsored health programs.

I want to start by saying – the primary goal of the PBM is to put downward pressure on drug prices. PBMs work with plan sponsors, which is the entity that wants to provide drug benefits to its employees (such as a business, government or union), to design a plan that provides pharmacy benefits that are in line with the goals and cost restrictions of the plan sponsor. Plan sponsors typically only have a set amount of money they can spend on health care and pharmacy benefits for their employees. While they are not required to use PBMs, most choose to utilize a PBM because PBMs help significantly lower the costs of prescription drug coverage for both the employer/payer and the consumer. PBMs help control drug costs by aggregating the buying power of millions of enrollees through all of their plan sponsor/payer clients. PBMs offer several tools for plan sponsors to utilize leading to lower prices for prescription drugs for their enrollees including:

- Affordable and accessible pharmacy networks.
- Discounts negotiated with drug manufacturers.
- Lower-cost dispensing channels such as mail-service and specialty pharmacies.

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 plan sponsors pay the vast amount of their members' prescription drug costs, drug manufacturers' price increases have forced plan sponsors to create new benefit designs that keep monthly premiums as low as possible. Unfortunately, these new benefit designs require members to shoulder more of the cost through higher copays and deductibles.

Employers/plan sponsors work with the PBM to develop a list of drugs that are covered by the pharmacy benefit plan. This list of drugs is known as the formulary and may encourage the use of generic equivalent over brand drugs or may require a higher copay for certain types of drug brands and classes. Drug manufacturers do not like it when their drug is not on a formulary or

requires a high copay. In response, drug manufacturers encourage patients to disregard formularies and lower cost generic equivalents, or lower cost brand alternatives, by offering "copay coupons" to help the patient cover their particular brand drug. Ultimately, the coupons often result in higher costs to both the employer/plan sponsor by steering patients away from cheaper alternatives and towards more expensive drugs (with higher cost sharing obligations), completely undermining the formulary created with the employer/plan sponsor's health benefit objections and cost restrictions in mind. While the drug cost may be less for the consumer using a coupon, the cost is much higher to the plan sponsor who is paying the vast majority of the cost of the drug.

In order to mitigate the cost driving effect of these drug manufacturer marketing schemes, employers/plan sponsors may elect to design their benefits to include a "copay accumulator provision" to thwart drug manufacturers' efforts to force them to pay for unnecessary brand medications through the use of copay coupons. Copay accumulator provisions 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 applicable generic or lower cost brand drug plan on the formulary and that the plan functions as it was designed by the employer/plan sponsor. **House Bill 135, if enacted, will forbid this cost-saving provision in private contracts and force plans to recognize the manufacturer's coupon, ultimately circumventing the established formulary and increasing drug costs for everyone on the plan.**

PCMA opposes HB 135 because it takes away one of the important tools used to control drug costs. I want to emphasize that **PCMA does *not* oppose true means-tested patient assistance programs (or cash assistance from an individual's church or relative) that help individuals afford their prescription drugs.** There is an important difference between means-tested patient assistance programs or help from family and friends and copay coupons, which are targeted to individuals with health insurance and intended to encourage consumers to use the manufacturer's (often times more expensive drug) over another more cost-effective equivalent drug. 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. Notably, copay coupons are actually considered **illegal kickbacks in federal health programs**, though still permitted in the commercial market.

Here are the facts when it comes to manufacturer copay coupons:

- The prices for drugs with manufacturer coupons **increase faster (12-13% per year)** compared to non-couponed drugs (7-8% per year).[1]

[1] Leemore Dafny, Christopher Ody, and Matt Schmitt. When Discounts Raise Costs: The Effect of Copay Coupons on Generic Utilization. The National Bureau of Economic Research. October 2016.

- Coupons are banned by Medicare and if Medicare did not ban these coupons, Medicare program costs would **increase $48 billion** over the next ten years.[2]
- Coupons were responsible for a **$32 billion increase** in spending on prescription drugs for commercial plans.[3]
- For every $1 million in manufacturer coupons for brand drugs, **manufacturers reap more than $20 million in profits (20:1 return).**[4]

Supporters of coupons say that they decrease costs for patients. While they can decrease an individual patient's cost at the pharmacy counter, they do not reduce ***actual*** costs. **Coupons are temporary—the individual patient likely pays more when the coupon goes away, instead of being started on the less expensive 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 target certain insured individuals with copay coupons 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.

Again, thank you for the opportunity to present our testimony today. I am happy to answer any of your questions.

[2] Visante. Drug Manufacturer Coupons Raise Costs in Medicare Part D, Hurting Vulnerable Beneficiaries. May 2020.
[3] Visante. How Copay Coupons Could Raise Prescription Drug Costs By $32 Billion Over the Next Decade. November 2011.
[4] Dafny et al. October 2016

Pharmaceutical Care Management Association
325 7th Street, NW, 9th Floor
Washington, DC 20004
www.pcmanet.org