



November 1, 2023

Chairman P. Scott Lipps
Public Health Policy Committee
77 S. High St., 13th Floor
Columbus, Ohio 43215

Dear Chairman Lipps,

On behalf of OAHP, thank you for the opportunity to offer written opponent testimony to HB 177, which requires health plans to apply amounts paid via copay coupons offered by pharmaceutical manufacturers toward the insured's cost sharing requirements under their health plan.

OAHP is the state's leading trade association representing the health insurance industry. Our member plans provide health benefits to more than nine million Ohioans through employer-sponsored coverage, the individual insurance market, and public programs such as Medicare, Medicaid, and the Federal Insurance Marketplace. Our members offer a broad range of health insurance products to Ohioans in the commercial marketplace and are committed partners in public programs.

Drug copay coupons are a marketing tool used by branded pharmaceutical manufacturers to circumvent patient cost sharing, increase market share and therefore increase profits. These coupons increase the share of prescriptions that are filled by a branded drug by over 60%. (Dafny et al. 2017)ⁱ. The higher costs of these branded drugs are then passed on to all consumers via higher insurance premiums. As outlined in a study in the *New England Journal of Medicine*, copay coupons offset, or undo cost sharing designed by insurers to contain costs and direct patients to higher-value drugs (Dafny et al. 2016)ⁱⁱ.

In providing copay coupons, the drug manufacturer's goal is to have an individual meet their deductible as quickly as possible. Once an individual meets their deductible, the drug manufacturer charges the individual's insurance for the full price of the drug. This explains why you see a targeted use of coupons, i.e., they are only given to certain individuals and only until they meet their insurance deductible. If the real intent behind the use of copay coupons were to make the very expensive branded drug more affordable to consumers, the pharmaceutical manufacturers would make them available to everyone – even the uninsured – and they would allow them to last for the full length of the prescription.

The drug manufacturer's counterargument to claims that they are targeting copay coupons to increase market share and profit is that promoting the branded drug with copay coupons *could* in theory reduce total medical spending by improving patient adherence with a prescribed therapy. However, a

study in the *American Economic Journal: Economic Policy* found that this claim is unsupported by systematic empirical analysis of drugs going off patent over the period June 2007 to December 2010 (Dafny et al. 2017)ⁱⁱⁱ.

It is important to note that *copay coupons are deemed illegal kickbacks under Medicaid and Medicare* because they entice a patient to use a specific drug, raising costs by forcing coverage of high-priced drugs when more affordable alternatives are potentially available.

While we appreciate the important language in the bill around generics, a generic is many times not the only alternative available. Many times, there is a lower cost, equally effective branded alternative available. This usually means a drug in the same drug class that could be just as effective as the higher cost drug also known as a therapeutic equivalent. Further, the generic drug provisions of this bill would not prohibit a manufacturer from offering coupons on a more expensive branded drug to gain market share over the less expensive branded drug in that same therapeutic class.

OAHP wholeheartedly agrees with the underlying intent of HB 177 – to ensure Ohioans have access to affordable prescription drugs. Drug costs are too high and today too many Ohioans cannot afford their medications. If we really want to decrease prescription drug costs, we ought to be banning copay coupons, not promoting them through policies like HB 177 because *research indicates that banning copay coupons would lower prescription drug costs by approximately \$1.155 billion per year.*^{iv}

Prescription drug pricing is extraordinarily complex, but we should be asking the tough questions like:

- Why is the cost of a drug so high that an individual needs a coupon in the first place?
- If a drug manufacturer can afford to give out coupons for their product, why don't they just lower the price of the drug?
- Why do some people get coupons and not others?
- Why are we protecting the use of drug coupons in a way that the federal government has deemed illegal under Medicare and Medicaid?

Thank you for the opportunity to comment on HB 177 on behalf of the more than 9 million Ohioans member plans provide health care coverage. We stand ready to work with policymakers to develop meaningful solutions that address the high cost of prescription drugs.

Sincerely,



Gretchen Blazer Thompson
Director of Government Affairs

ⁱ When Discounts Raise Costs: The Effect of Copay Coupons on Generic Utilization (2017). *American Economic Journal, Economic Policy*, 9 (2): 91–123 (Leemore Dafny, Christopher Ody, and Matthew Schmitt).

ⁱⁱ Undermining Value-Based Purchasing—Lessons from the Pharmaceutical Industry (2016). *New England Journal of Medicine*, 374 (21): 2013–2015 (Leemore Dafny, Christopher Ody, and Matthew Schmitt).

ⁱⁱⁱ When Discounts Raise Costs: The Effect of Copay Coupons on Generic Utilization (2017). *American Economic Journal, Economic Policy*, 9 (2): 91–123 (Leemore Dafny, Christopher Ody, and Matthew Schmitt).

^{iv} When Discounts Raise Costs: The Effect of Copay Coupons on Generic Utilization (2017). *American Economic Journal, Economic Policy*, 9 (2): 91–123 (Leemore Dafny, Christopher Ody, and Matthew Schmitt).