Date: November 1, 2023

To: Members of the Public Health Policy Committee

From: Sean Stephenson, Director of State Affairs for the Pharmaceutical Care Management Association (PCMA)

RE: Testimony in opposition to House Bill 177– Cost-sharing under health care benefits

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Good morning, Chairman Lipps and Members of the Public Health Policy Committee. Thank you for the opportunity to provide testimony to House Bill 177, a bill that would require the application of prescription drug payments to health insurance cost-sharing requirements.

PCMA is the national trade association representing America's pharmacy benefit managers (PBMs), which administer prescription drug plans for more than 275 million Americans with health coverage provided through employers, health insurance plans, labor unions, Medicaid Medicare, Federal Employees Health Benefit Programs, and other public programs.

If there are three things I want you to remember about PBMs today, it is this:

1. PBMs are the only entity in the drug supply chain dedicated to seeking lower costs;
2. No one is mandated to use a PBM;
3. Drug companies, not PBMs, determine the list price of their drug products.

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 is incentivized to use the plan formulary and that the plan functions as it was designed.

Drug manufacturers encourage patients to disregard formularies and lower-cost alternatives by offering "coupons" to help the patient cover that higher cost. This ultimately steers patients away from cheaper alternatives and towards more expensive brand drugs (with higher cost-sharing obligations), completely undermining the formulary offered by a plan sponsor.

Here are the facts when it comes to manufacturer coupons:

- The prices for drugs with manufacturer coupons **increase faster (12-13% per year)** compared to non-couponed drugs (7-8% per year).[1]
- If Medicare's ban on coupons were not enforced, costs to the program would **increase $48 billion** over the next ten years**.[2]**
- For every $1 million in manufacturer coupons for brand drugs, **manufacturers reap more than $20 million in profits (20:1 return).[3]**

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[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.

[2] Visante. Drug Manufacturer Coupons Raise Costs in Medicare Part D, Hurting Vulnerable Beneficiaries. May 2020.

[3] Dafny et al. October 2016

- A 2020 study by the Commonwealth of Massachusetts Health Policy Commission, estimates that coupons **increased premiums** in the Group Insurance Commission program by **$18 for a single premium and $52 for a family** - increasing costs by over **$44 million** in excess spending. [4]

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.

Coupons only reduce short-term costs. 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.

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 would also like to speak to the author's legislation that limits the use of coupons by exluding "… a brand prescription drug for which there is a medically appropriate generic equivalent, unless the prescriber determines that the brand prescription drug is medically necessary." While this would likely lessen the utilization of coupons overall, coupons would still be allowed for costly name-brand drugs when a less-costly, competitive drug or therapeutic alternative is available, continuing to drive up total drug spend.

Finally, 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 costs on drugs is for manufacturers to drop the price of the drug.

Chairman Lipps, members of the committee, thank you for the opportunity to testify today. I am happy to answer any questions you may have at this time.

[4] Commonwealth of Massachusetts Health Policy Commission, Prescription Drug Coupon Study, July 2020