April 11th, 2024

The Honorable Joseph J. Solomon, Jr.
Members, House Corporations Committee
House Lounge - State House
82 Smith St.
Providence, RI 02903

RE: H 8041 RELATING TO INSURANCE -- PRESCRIPTION DRUG BENEFITS; Opposed

Chair Solomon and Members of the Committee,

My name is Sam Hallemeier, Senior Director of State Affairs, and I am writing 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 275 million Americans with health coverage through large employers, health insurers, labor unions, and federal and state-sponsored health programs.

PCMA appreciates the opportunity to provide comments on H 8041. Our industry is concerned about the bill because we believe it will restrict our ability to put downward pressure on the rising cost of prescription drugs. This bill seeks to restrict the use of health plan programs called "copay accumulators" that restrict the value of drug manufacturer-funded copay coupons from being applied to patient out of pocket maximums and deductibles.

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 be selective in the drugs they will cover and create benefit designs that incent patient choice for the lowest-cost drug that treats the condition experienced. Copay coupons may come in the form of a coupon, debit card, or some other arrangement.

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 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 allowed in the commercial market.

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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 max 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 designed.

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]
- 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]

Supporters of coupons say that they decrease costs for patients. While they can decrease an individual patient's cost at the pharmacy counter, the patient and the plan ultimately 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.

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.

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. State legislation that seeks to disallow the use of accumulators eliminates an important tool in the fight against rising pharmaceutical costs.

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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

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

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Oppose H 8041

In the interest of Rhode Island patients and payers, it is for these problematic provisions noted above that we must respectfully oppose H 8041. Given the unique environment Rhode Island citizens and plan sponsors find themselves in, now is not the time to increase the cost of providing reliable and affordable access to prescription drugs.

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