



February 29, 2024

The Honorable Susan R. Donovan
Chairperson, House Committee on Health and Human Services
State of Rhode Island State House
82 Smith Street
Providence, RI 02903

RE: Letter of Support H-7042 – AN ACT RELATING TO STATE AFFAIRS AND GOVERNMENT -- THE RHODE ISLAND HEALTH CARE REFORM ACT OF 2004 -- HEALTH INSURANCE OVERSIGHT

Dear Chairperson Donovan:

I write on behalf of the Rhode Island Office of the Health Insurance Commissioner (OHIC) in favor of H 7042. This legislation would regulate prescription drug price increases, such that any unsupported price increase of a prescription drug would be subject to a penalty equal to eighty percent (80%) of the difference between the revenue generated by the sales of the prescription drug and the revenue that would have been generated if the manufacturer had maintained the wholesale acquisition cost from the previous calendar year, adjusted appropriately for inflation.

According to data analysis from OHIC's [Health Spending Accountability and Transparency Program](#), rising prescription drug costs are a major driver of overall health care spending growth, making it challenging for many Rhode Islanders to access the drugs they need and adding to the burden of higher health insurance premiums. The growth of prescription drug costs is primarily driven by the increasing prices of prescription drugs, particularly the prices of brand-name drugs, not the number of prescriptions filled. OHIC's [Annual Report: Health Care Spending and Quality in Rhode Island](#) dedicated an entire chapter that explains and details the trends in prescription drug spending and drug prices.

Thank you for your continued leadership and hard work on all matters related to the health of Rhode Islanders.

Sincerely,

Protecting Consumers • Engaging Providers • Improving the System • Ensuring Solvency

www.ohic.ri.gov • 1511 Pontiac Avenue • Building 69-1 • Cranston, RI 02920 • 401.462.9517



Cory B. King
Acting Health Insurance Commissioner

CC: Honorable Members of the House Committee on Health and Human Services
Honorable Brandon C. Potter
Nicole McCarty, Esquire, Chief Legal Counsel to the Speaker

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STATE OF RHODE ISLAND

Office of The Health Insurance Commissioner

Department of Business Regulation

High and Increasing Prices Drive Prescription Drug Spending

The Problem

Spending on prescription drugs is high in Rhode Island.

- Statewide retail prescription drug spending per person amounted to \$1,223 in 2021, representing 15% of total medical spending.¹

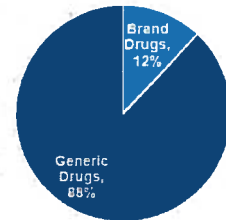
Price increases for brand name drugs are driving growing prescription drug spending in Rhode Island.

- In 2021, brand name drugs made up only 12% of all drugs dispensed but accounted for 81% of drug spending.
- Prices for these drugs steadily increased from 2017 to 2020, while utilization remained flat or decreased.²

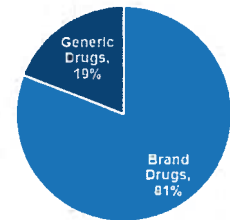
Certain brand drugs have had VERY HIGH prices and have also had high rates of annual price growth.

- A prescription drug may enter the market at a very high per unit price and become even more costly over time.
 - For example, the Humira (Cf) pen was introduced into the market in 2019 at a price of **\$68,880 per year**.³
 - After two years on the market, in 2021, the price of this drug had increased 19% to nearly **\$82,000 per year**.

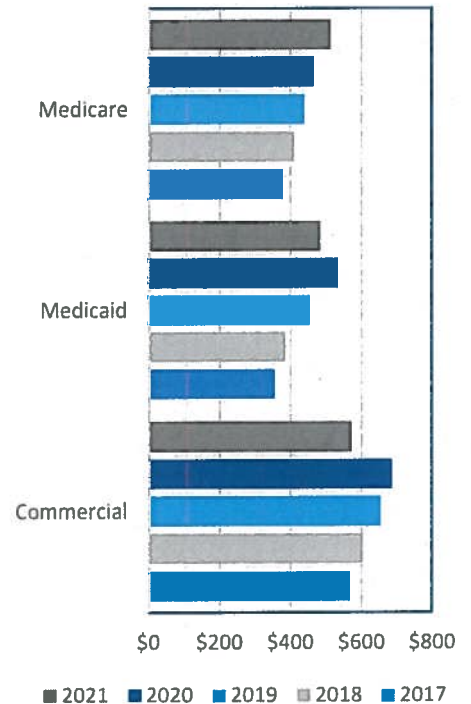
Share of Utilization



Share of Total Spending



Price per Unit of Prescription Drugs²



Why This Matters

Rhode Islanders cannot afford their life-saving prescription medications.

- Many residents use prescription drugs, and a significant portion of the elderly and those with chronic conditions rely on them to manage their conditions.
- Too many Americans have reported not filling a prescription at the pharmacy, skipping doses, or cutting pills in half because of the high prices of their medications.⁵
- For those who do fill their prescriptions, paying for these medications means less income going toward necessities like food or housing.

Research on national prescription drug spending data shows that, over time, the average launch prices of prescription drugs have increased by 20% annually.⁴

OHIC Promotes Transparency into State Health Care Spending Patterns

The Rhode Island Office of the Health Insurance Commissioner can leverage the state's All-Payer Claims Database ([HealthFacts RI](#)) to better understand patterns in health care spending and spending growth. Users can conduct analyses using these data in the interactive dashboards available on the [OHIC Data Hub](#). These data can inform provider organizations, payers, purchasers, policymakers, and state residents interested in improving the affordability of health care in Rhode Island.

1. OHIC's analysis of total medical expense data from insurers, the Centers for Medicare & Medicaid Services (CMS), and the Rhode Island Executive Office of Health and Human Services (EOHHS).
2. Price trend for 2021 did not follow this pattern due to high utilization of COVID-19 vaccines, which were largely subsidized and made available at very low per unit prices. It is likely that without these vaccines, this pattern of growing average price would have persisted for 2021.
3. Health plans often negotiate with drug manufacturers – either directly or through pharmacy benefit managers (PBMs) – to receive discounts on prescription drugs. However, manufacturers and PBMs do not disclose the amount of the rebates on a drug-specific basis. Annual cost is based on the price per unit (PPU) for a 30-day supply multiplied by 12.
4. <https://jamanetwork.com/journals/jama/article-abstract/2792986>
5. <https://www.kff.org/health-costs/poll-finding/public-opinion-on-prescription-drugs-and-their-prices/>

Learn More about OHIC at www.ohic.ri.gov



STATE OF RHODE ISLAND

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The Rhode Island Office of the Health Insurance Commissioner (OHIC) was established through legislation in 2004 to broaden the accountability of health insurers operating in Rhode Island. The Office is dedicated to: protecting consumers, encouraging fair treatment of medical service providers, ensuring solvency of health insurers, and improving the health care system's quality, accessibility, and affordability.



The High Costs of Brand-Name Drugs

The Issue

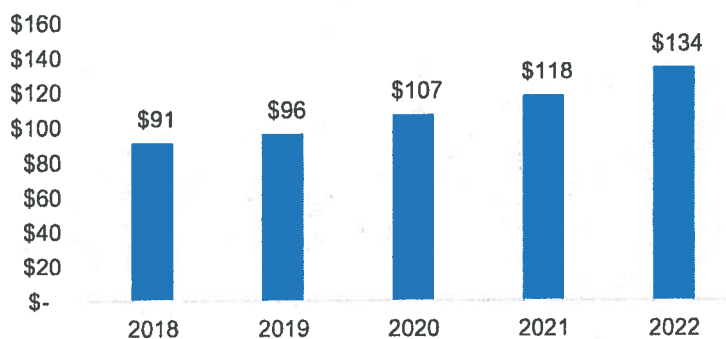
Spending on brand-name drugs has grown at an unaffordable rate in Rhode Island.

- From 2018 to 2022, spending for commercially insured residents on brand-name medications grew at an average annual rate of 10.2%.¹
- Meanwhile, median household income in the state grew at an average annual rate of only 3.3%.²

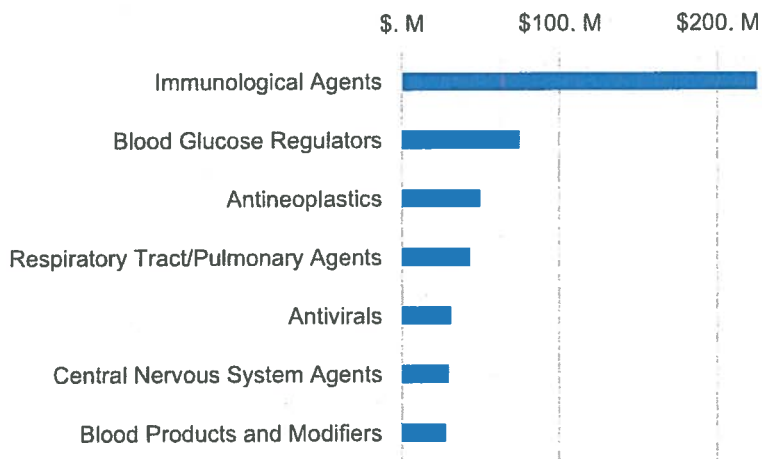
In 2022, most spending (nearly \$225M) on brand-name prescription drugs for residents with commercial coverage was on immunological agents.

- Immunological agents are drugs that modify the body's immune system response.
- The two immunological agents with the highest spend in 2022 were Humira (Cf) (\$54.3M) and Stelara (\$34.5M).³
- These drugs are used to treat arthritis, Crohn's disease, and psoriasis, among other conditions.

Per Member Per Month Spending on Brand-Name Prescription Drugs



Spending by Drug Category in Rhode Island in 2022



- In 2022, an annual supply of Humira cost **\$90,564** and an annual supply of Stelara cost **\$149,952**.^{4,5}
 - These drugs were prescribed frequently in 2022. More than 7,000 prescriptions for Humira and nearly 3,000 prescriptions for Stelara were dispensed to Rhode Islanders with commercial coverage.

| | # of 30-Day Equivalents | Total Spend | PPU |
|---------|-------------------------|-------------|----------|
| Humira | 7,193 | \$54.3M | \$7,547 |
| Stelara | 2,760 | \$34.5M | \$12,496 |

Why This Matters

Prescription drugs are becoming increasingly unaffordable for Rhode Islanders.

- In 2022, Rhode Islanders reported delaying filling a prescription due to cost at a higher rate than delaying medical or mental health care due to cost.⁶
- Large deductibles and high drug prices lead some patients to skip doses.⁷

Dollars spent on these brand-name prescription drugs could have been used for other purposes if prices were lower.

- For example, the cost of a year's supply of Stelara is approximately equal to **1,119 primary care visits**.⁸

Updates to the OHIC Data Hub Coming Soon

OHIC now has access to 2022 data in the state's All-Payer Claims Database ([HealthFacts RI](#)). OHIC will make these data available soon in the interactive dashboards available on the [OHIC Data Hub](#). OHIC plans to roll out new dashboards on additional topics in the coming weeks and months.

1. OHIC's analysis of data from HealthFacts RI, which is the state's All-Payer Claims Database (APCD). The spending in the APCD represents approximately 80% of commercial spending in the state due to the absence of data from some self-insured employers.
2. <https://fred.stlouisfed.org/series/MEHOINUSRIA672N>.
3. These drugs treat different types of arthritis.
4. These were calculated by OHIC using data from HealthFacts RI, and exclude manufacturer rebates. Rebate data are considered proprietary by manufacturers, making it impossible for OHIC to determine the actual price of individual drugs. Analysis of 2021 data submitted by Rhode Island insurers, the Rhode Island Executive Office of Health and Human Services, and by the Centers for Medicare and Medicaid Services found that pharmacy rebates equaled 25% of total commercial retail pharmacy spending.
5. Annual prices were calculated by multiplying the price of a 30-day supply by 12.
6. 2022 Health Insurance Survey. <https://healthsourceri.com/surveys-and-reports/>
7. <https://www.kff.org/health-costs/issue-brief/americans-challenges-with-health-care-costs/>
8. Primary care visits were priced using the 2022 Medicare reimbursement for CPT code 99214: \$133.93.

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