

March 6, 2025

The Honorable Susan Donovan, Chair
House Committee on Health and Human Services
Via email to: HouseHealthandHumanServices@rilegislature.gov

RE: House Bills relating to how pharmacy benefits are paid and administered:

5254 (payments to pharmacists)

5429 (payment methods and administrative restrictions)

5433 (OHIC study of utilization management for medications)

5498 (Medicaid payment methods)

5620 (address high drug prices by prohibiting unsupported price increases)

5853 (address high drug prices by allowing importation)

5860 (address high drug prices by basing prices on Medicare's negotiated prices)

Dear Chairwoman Donovan and Members of the Committee on Health and Human Services:

On behalf of Blue Cross & Blue Shield of Rhode Island (Blue Cross), I am writing in support of a holistic approach to the important issues these bills address. As described below, Rhode Islanders face a growing challenging in accessing affordable prescription drug coverage. But rather than continue to debate proposals piecemeal, bringing together advocates and stakeholders under the direction of the Office of the Health Insurance Commissioner (OHIC) may be more conducive to developing comprehensive solutions to skyrocketing drug costs. This approach would offer a better chance at the data collection, analysis, and collaboration necessary to improve healthcare access and affordability.

By way of background, the cost of a family's health insurance plan has soared to a national average of more than \$28,000 a year.¹ That translates into higher premiums and cost-sharing for your constituents. Meanwhile, the cost of the medical services and drugs provided to those with health insurances has been growing much faster than projected, resulting in health plans like Blue Cross paying out tens of millions of dollars more than expected, a troubling and unsustainable trend.

Drug costs are a major driver of this imbalance. In 2024, Blue Cross enrollees filled nearly 7.5 million prescriptions, at a total cost of more than \$731 million dollars. Through its non-profit pharmacy benefit manager, Blue Cross negotiates with drug manufacturers for the best possible prices for medications — but those negotiations are challenging. While new drugs can prevent and treat many diseases, they come at an increasingly steep price. For example, the average cost of new gene therapies for treating rare diseases exceeds \$1 million. Additionally, drug manufacturers regularly increase the prices for existing drugs several times a year.

Just a few years ago, when the Committee began considering some of these bills, drug coverage drove about 20% of premiums. Now, even as premiums grow, the drug coverage portion has spiked to nearly 30%. Higher prices and increased demand are driving up these costs.

¹ [Premiums and Worker Contributions Among Workers Covered by Employer-Sponsored Coverage, 1999-2024 | KFF](https://kff.org/report-section/premiums-and-worker-contributions-among-workers-covered-by-employer-sponsored-coverage-1999-2024/)

That's money going to drug companies that employers could instead be using to hire people or give wage increases, or your cities and towns could be using for police cars and playgrounds. Together, we must develop thoughtful and coordinated ways to lower drug costs.

Problematically, a trio of bills under consideration would take away options for controlling expenses and instead add to the costs of drug coverage.

- **House Bill 5254** forces health plans to use a specific pricing list for payments to pharmacies and to pay the same "dispensing fee" as Medicaid. However, commercial health plans operate differently from Medicaid plans and have lower dispensing fees. As a result, the higher dispensing fee portion alone would add about \$30 million dollars to Rhode Islander's health insurance premiums. Using the required pricing list would additionally guarantee higher payments and add to the financial burden on Rhode Island's employers, municipalities, and residents.
- **House Bill 5429** prevents large employers from having a choice in how they determine the price for drugs dispensed to their members (spread pricing), prohibits plans from implementing any safety and cost-savings reviews (utilization management), and includes other provisions with unclear intent or methods for compliance (relating to non-affiliated pharmacies and handling of discounts). At a time when the drug companies have demonstrated predatory pricing and marketing tactics, employers should retain all the tools possible to ensure safe, affordable, high-quality coverage.
- **House Bill 5498** is like HB 5429 in that it prohibits Medicaid plans from considering spread pricing as a method for determining drug expenses.

In contrast, three of the bills would lower costs.

- **House Bill 5620** aims to limit the annual increase in drug prices when those price increases are excessive and unsupported by new clinical evidence. Many drugs have year-over-year increases with no justification. Consider for example Acthar gel, a treatment for various inflammations and autoimmune conditions, including rheumatoid arthritis. When first approved in 1952, the cost was \$40 per vial. Today, Acthar Gel is approximately \$40,000 a vial, a thousandfold increase.² This legislation would penalize pharmaceutical manufacturers when the price of drugs goes up without justification, based on a targeted list and the work of a neutral third-party review group. The state would benefit by capturing the excess prices.
- **HB 5853** aims to address drug costs by allowing their importation from Canada. Drug prices there are notably lower than in the United States – for the very same medications. The State would benefit if it became eligible to purchase drugs at lower Canadian prices.
- **House Bill 5860** would lower the cost of drugs by leveraging federally negotiated prices. The Centers for Medicare and Medicaid Services (CMS) has begun negotiating prices for certain drugs for the Medicare program. That program is expected to be able to obtain lower prices due to its massive purchasing power.

² [Mallinckrodt Staff Report 10-01-20 PDF.pdf](#)

Extending those savings to the commercial insurance market would result in meaningful savings for Rhode Island's businesses, individuals, and municipalities.

For the last few years, legislators have listened to these competing arguments while expenses continue to grow... which leads to **House Bill 5433**. As currently drafted, it directs OHIC to study prior authorization for drugs.

- On the bill as introduced, Blue Cross believes a collaborative stakeholder engagement, led by OHIC, holds the promise of developing a consensus approach on prior authorization for medications and potential impacts on patient safety and costs.
- **That said, Blue Cross hopes the direction to OHIC could be expanded beyond prior authorization, to more broadly cover drug pricing.** OHIC is well suited to conduct the necessary data collection and analysis, stakeholder review and debate, and produce a report and recommendations addressing the critical issue of drug spending.

We look forward to working with the sponsors, the Committee, and OHIC on language to ensure an appropriate charge to the group, timeline for the work, and resulting report.

Sincerely,



Richard Glucksman
Assistant General Counsel