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March 24, 2026

The Honorable Melissa Murray, Chairwoman
Of the House Health and Human Services Committee
Rhode Island State House
Providence, RI 02903

RE: AHIP Comments on S. 2253, An Act Relating to Insurance – Prescription Drug Benefits -- OPPOSE

To Chairwoman Murray and Members of the Senate Health and Human Services Committee,

AHIP appreciates the opportunity to provide comments on S.2253, legislation that limits health plans' ability to hold down drug costs for patients and purchasers of health care.

As drafted, AHIP is opposed to S. 2253 because it rewards drug makers for steering patients towards more expensive brand-name drugs that benefit their bottom line.

Everyone should be able to get the medications they need at an affordable cost. Pharmacy spending now accounts for more than 24 cents of every premium dollar – more than any other category of health care services.ⁱ Health plans are doing everything in their power to shield Americans from the high and rising cost of drugs by pursuing innovative approaches to make prescription drugs more affordable; but the problem is the list price, which drug manufacturers alone set and control without oversight.

Drugmakers Use Coupons to Manipulate the Market. Drug manufacturers intentionally use copay coupons to maintain high list prices and shift costs across the health care system. Manufacturers acknowledge their drugs are unaffordable for patients, but rather than lowering unaffordable prices, they instead offer copay couponsⁱⁱ to obscure the true cost of their products. These coupons provide short term assistance for a limited number of patients but increase overall pharmacy spending, all while financially benefiting the drug manufacturers.

They also steer patients toward high-priced brand-name drugs even when more affordable generics are available. Federal rules consider copay coupons an illegal kickback in Medicare and Medicaid because they induce a patient to use a specific drug.ⁱⁱⁱ Manufacturers typically target commercially insured patients and discontinue assistance once a patient's deductible is met. After the coupon is discontinued, the drug manufacturer is free from any price accountability because their high prices are now absorbed by all enrollees through higher premiums.

The Centers for Medicare and Medicaid Services (CMS) has warned that copay coupons distort the market by masking and true prices and driving up costs: "Such coupons can add significant long-term costs to the health care system that may outweigh the short-term benefits of allowing the coupons, and counter-balance issuers' efforts to point enrollees to more cost-effective drugs."^{iv}

Data Proves the Negative Influence of Coupons. Research shows that copay coupons primarily benefit only drug manufacturers while creating significant, negative consequences for patients.

- **Couponed Drugs Get More Expensive, Faster.** A study by Harvard, Kellogg, and UCLA economists estimate that couponed drugs had a higher annual price growth (12-13%) than noncouponed drugs (7-8%). After a generic alternative was introduced, coupons increased spending on brand drugs by \$30-\$120 million per drug over 5 years.^v In a separate study they found that eliminating coupons would save at least \$1 billion per year.^{vi}
- **Increase Spending by 30%.** A National Bureau of Economic Research (NBER) working paper estimated “copayment coupons increase spending on couponed drugs without bioequivalent generics by up to 30 percent.”^{vii}
- **Coupons Are a Sales Tool by Drugmakers.** The U.S. House Oversight Committee’s investigation on drug pricing found that drug companies use patient assistance programs as a sales tool – focusing on their rates of return, encouraging patients to stay on high-priced branded drugs after a generic is introduced, and subsidizing third-party foundations to drive sales and attract patients who otherwise might not have used the drug.^{viii}
The Committee’s report stressed that these programs “do not provide sustainable support for patients and do not address the burden that the company’s pricing practices have placed on the U.S. health care system.”
- **High Rates of Return to Drugmakers.** The Oversight Committee found one manufacturer projected a potential rate of return of \$8.90 for every \$1 spent on their copay assistance program for a cancer treatment “because oncologic drugs are a necessity for patients, there is less sensitivity to price increases.”^{ix}
- **Artificially Keep Prices High.** A Congressional Research Service report found “manufacturers may use coupons as part of a marketing strategy to keep prices for brand-name drugs higher than they otherwise would be after a lower-cost generic substitute comes to market.”^x

As summarized by reporting from Axios: “The study adds further evidence to the idea that drug copay cards are a great short-term deal for patients – and especially the pharmaceutical companies that promote them – but a bad long-term deal for society.”^{xi}

Health Plans Use Tools to Counter Drugmakers’ Pricing Schemes. Employers and health plans have established guardrails that reflect patients’ actual out-of-pocket spending and increase transparency around drug manufacturer pricing practices. These measures do not raise patient costs; rather, they ensure coupons are used in ways that benefit both patients and plan sponsors, while limiting manufacturers’ ability to avoid fair price negotiation.

CMS permits health plans to allow the use of manufacturer coupons at the point of sale while excluding certain coupons from counting towards annual cost sharing limits. CMS notes these programs “lower the cost of coverage and generate cost savings while also ensuring efficient use of federal funds and sufficient coverage for people with diverse health needs.”^{xii}

This balanced approach lets patients use coupons to lower their cost sharing without increasing premiums tied to higher overall health plan spending – an approach more generous than Medicare or Medicaid, which prohibit coupons entirely.

S.2253 Will Increase Drug Spending. This bill would significantly impair health plans’ ability to use proven tools that hold drug manufacturers accountable for pricing schemes. To help policymakers

evaluate proposals requiring health plans to count copay coupons towards patient cost-sharing, AHIP commissioned the actuarial firm Wakely to assess the impact of such policy.

Wakely found that legislation like S.2253 would:

- **Increase Premiums**, with the largest increases in the individual marketplace.
- **Result in Adverse Selection** into lower premium plans, such as Bronze plans, resulting in higher premiums and consumers dropping their coverage.
- **Reduce Wages** for workers who receive coverage at work, due to higher employer costs. • **Encourage the Use of Expensive Drugs** over cheaper alternatives.^{xiii}

Restricting these tools will undermine affordability by reducing incentives for drug companies to lower prices, allowing them to rely on artificial coupons instead of real reductions in their prices. Ultimately, this results in higher profits for manufacturers while consumers and employers face increased costs through lower wages, higher premiums, and greater out-of-pocket expenses.

Focus on Solutions That Prevent Market Manipulation. Instead of limiting the few effective tools that health plans and employers use to address rising drug prices, the legislature should focus on correcting market distortion caused by manufacturer pricing schemes, including the use of copay coupons. We support prohibiting copay coupons – particularly for drugs with lower-cost alternatives – as states like California and Massachusetts have done.^{xiv} This approach has been endorsed by leading health care scholars evaluating evidence-based reforms.^{xv}

If the legislature chooses to allow manufacturer coupons to continue, we recommend reforms that ensure fair and equitable distribution, appropriate oversight, and full transparency. Specifically:

- Requiring coupons be given to all patients prescribed a drug.
- Requiring manufacturers to provide financial assistance to patients for the entire plan year.
- Requiring manufacturers to annually report on the amount that they spend on financial assistance.
- Requiring manufacturers to inform health plans when they are providing a coupon or other type of financial assistance to an enrollee of that health plan.

Our Recommendation. AHIP urges the Committee to not advance S.2253 because it would eliminate effective tools that hold drug manufacturers accountable for excessive prices.

We share Rhode Island's commitment to ensuring access to high-quality, affordable health care. AHIP stands ready to work together with State policymakers to ensure every patient has access to high quality, affordable drugs that they need.

Sincerely,



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cc: Members, House Health and Human Services Committee

ABOUT AHIP

AHIP is the national association whose members provide health care coverage, services, and solutions to hundreds of millions of Americans every day. We are committed to market-based solutions and public-private partnerships that make health care better and coverage more affordable and accessible for everyone. Visit www.ahip.org to learn how working together, we are **Guiding Greater Health**.

ⁱ [Where Does Your Health Care Dollar Go?](#) AHIP. October 24, 2024. ⁱⁱ Here, the term “copay coupons” is used to represent all payments provided by a third party towards a patient’s cost sharing (copay, coinsurance, deductible). This includes coupons directly from drug manufacturers, but also thirdparty payments and discount programs from patient assistance programs. ⁱⁱⁱ See 42 U.S.C § 1320a-7b; [Special Advisory Bulletin: Pharmaceutical Manufacturer Copayment Coupons](#). Department of Health and Human Services, Office of the Inspector General. September 2014.

^{iv} [Notice of Benefit and Payment Parameters for 2020](#). Final Rule. April 25, 2019. ^v Dafny, Ody & Schmitt. [When Discounts Raise Costs: The Effect of Copay Coupons on Generic Utilization](#). October 2016. ^{vi} Dafney, Ody & Schmitt. [Eliminating Prescription Drug Copay Coupons](#). 1% Steps for Health Care Reform.

^{vii} Dafny, Ho & Kong. [How Do Copayment Coupons Affect Branded Drug Prices and Quantities Purchased?](#) NBER Working Paper Series. February 2022. ^{viii} [Drug Pricing Investigation, Majority Staff Report](#). U.S. House Committee on Oversight and Reform. December 10, 2021. ^{ix} [Drug Pricing Investigation: Novartis-Gleevec, Staff Report](#). U.S. House Committee on Oversight and Reform.

October 2020. ^x [Prescription Drug Discount Coupons and Patient Assistance Programs](#). Congressional Research Service. June 15, 2017. ^{xi} Herman, Bob. [The growing evidence against drug copay cards](#). Axios. February 15, 2022.

^{xii} [Notice of Benefit and Payment Parameters for 2020](#). ^{xiii} [Implications of Third-Party Payments on Commercial Market](#). Wakely. July 15, 2024. ^{xiv} CA Health and Safety Code § 132000- 132008.; Mass. Gen. Laws Ann. ch. 175H, § 3. ^{xv} [Eliminating Prescription Drug Copay Coupons](#).