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Chairwoman Pamela Beidle
Vice Chair Katherine Klausmeier
Senate Finance Committee Members
Miller Senate Office Building, 3 East
Annapolis, Maryland 21401

SB 595 – Health Benefit Plans - Calculation of Cost Sharing Contribution - Requirements and Prohibitions

Dear Chairwoman Beidle, Vice Chair Klausmeier, and Members of the Senate Finance Committee:

On behalf of the Pharmaceutical Care Management Association (PCMA), I appreciate the opportunity to provide comments on a bill requiring pharmacy benefits managers to include certain cost-sharing amounts paid by or on behalf of an enrollee or a beneficiary when calculating the enrollee's or beneficiary's contribution to a cost-sharing requirement. I respectfully request an unfavorable report on the bill.

PCMA is the national trade association representing America's Pharmacy Benefit Managers (PBMs), which administer outpatient prescription drug plans for more than 266 million Americans with health coverage provided through Fortune 500 large and small employers, labor unions and government programs. PBMs are projected to save payers over $34.7 billion through the next decade -- $962 per patient per year – as a result of tools such as negotiating price discounts with drug manufacturers, establishing and managing pharmacy networks, in addition to disease management and adherence programs for patients.

I want to emphasize at the outset of my testimony that **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 targeted to individuals with health insurance.

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 create new benefit designs that keep monthly premiums as low as possible—but require some members to shoulder more of the cost before their deductible is met.

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 a plan sponsor offers.

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]
- Coupons were responsible for a **$32 billion increase** in spending on prescription drugs for commercial plans.[3]
- For every $1 million in manufacturer coupons for brand drugs, **manufacturers reap more than $20 million in profits (20:1 return).**[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.

Supporters of coupons say that they decrease costs for patients. While they can decrease an individual patient's cost at the pharmacy counter, they do not reduce ***actual*** 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.**

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 cost on drugs is for manufacturers to drop the price of the drug.

I appreciate the opportunity to voice our concerns and am happy to answer any questions you may have.

Sincerely,

Heather R. Cascone

[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] Visante. How Copay Coupons Could Raise Prescription Drug Costs By $32 Billion Over the Next Decade. November 2011.
[4] Dafny et al. October 2016