February 9, 2017

Members of the Insurance and Real Estate Committee
Insurance and Real Estate Committee
Legislative Office Building, Room 2800
Hartford, CT 06106

Re: Opposition to Proposed Bill No. 22 – "An act concerning cost-sharing for prescription drugs"

Dear Members of the Insurance and Real Estate Committee:

On behalf of the Pharmaceutical Care Management Association (PCMA), I am writing to you regarding Proposed Bill No. 22. PCMA is the national association representing America's pharmacy benefit managers (PBMs), which administer prescription drug plans for more than 266 million Americans with health coverage provided through Fortune 500 employers, health insurance plans, labor unions, state and federal employee-benefit plans, and Medicare.

Proposed Bill No. 22 mandates state government-set price controls on prescription drug benefits for consumers' out-of-pocket copayments, coinsurance, deductibles, and other out-of-pocket expense that exceeds one hundred dollars per thirty-day supply for a covered prescription drug. This new mandate would hurt employers, consumers, and taxpayers by forcing them to pay more in health premiums and overall health care costs.

This legislation undermines the use of copays that encourage the use of lower cost generic medications. If a consumer has a greater out-of-pocket cost for a brand name drug versus a clinically equivalent generic with a lower copayment, they will be incentivized to use the lower cost but equally as efficacious drug. Without utilizing copayments fully, consumers would have no incentive to select generic medicines and would instead use the more expensive branded drug increasing costs to the consumer and the plan.

A capped co-payment, such as the one in Proposed Bill No. 22, would ultimately hurt the consumer and the health plan by raising costs in other areas such as their insurance premium. By capping patient out-of-pocket expenses, doctors and patients will have little incentive to choose lower cost generic drugs and instead choose more expensive brand drugs. This will lead to increases in drug pricing, specifically on the brand side.[1] In fact, a 2016 working paper from The National Bureau of Economic Research found that, 'Insurers can offer to set a lower copay for a given drug within a therapeutic category, thereby steering volume to that drug, in exchange for an attractive price from the drug manufacturer.' The insurer's ability, 'to steer patients with copays toward specific branded drugs also pays a meaningful role in the insurer-manufacturer negotiations.'[2]

[1] Leemore Dafny, Christopher Ody and Matthew Schmitt, 'When Discounts Raise Costs: The Effect of Copay Coupons on Generic Utilization', *The National Bureau of Economic Research*, Working Paper No. 22745 (October 2016). http://www.nber.org/papers/w22745.pdf [Accessed February 9, 2016] p. 3.
[2] Ibid, pp. 2-3.

PBMs promote lower cost generic drugs and clinically effective, lower-cost alternative brand-name medicines through formulary management and utilization tools, such as prior authorization and step therapy. Proposed Bill No. 22's imposition of price controls on out-of-pocket spending will essentially eliminate the ability of payers to effectively use these tools.

While employers, state government plans, and other payers are looking for cutting-edge ways to minimize health care costs, this legislation will only increase costs for patients and payers alike. For these reasons, PCMA asks you to withdraw Proposed Bill No. 22 from consideration.

Please let us know if we can provide any additional information.

Sincerely,

Scott Kipper
Vice President – State Affairs
Pharmaceutical Care Management Association