MEMORANDUM

TO: Asm. Burzichelli, Asm Coughhlin, Asm. Sweeney, Asw. Weinberg

FROM: April Alexander, Assistant Vice President, PCMA

DATE: June 15th, 2018

RE: A. 2431—Copay Caps

The Pharmaceutical Care Management Association (PCMA) is the national association representing America's pharmacy benefit managers (PBMs). PBMs administer prescription drug plans and operate mail-order and specialty pharmacies for more than 266 million Americans with health coverage through large and small employers, health insurers, labor unions, Medicare, Medicaid, and other programs.

PCMA understands that patients using high-cost, specialty medications face many challenges, including multiple diagnoses, more prescriptions filled, and often more lab tests. The out-of-pocket maximums established by the Affordable Care Act mitigate some of these challenges, but unfortunately drug costs continue to be a significant and unreasonably high part of health care expenditures in this country.

In December 2016, PCMA commissioned actuarial firm Oliver Wyman to conduct an analysis of the impact of Assemblyman Benson's copay cap bill (numbered A2337 in the 2016-2017 legislative session) on the cost of health insurance coverage in New Jersey. In substance, this session's A2431 is the same as A2337. Oliver Wyman concluded that A2337 **will result in $1.9 billion in increased health plan costs over five years**. Capping cost-sharing drives the cost of health care insurance higher by shifting more costs to the health plan and potentially increasing utilization. Using historical data and current trends, Oliver Wyman factored in the specific parameters of the legislation, namely that cost-sharing for prescription drugs would be capped at $200 cost-sharing cap per 30-day script for bronze level plans purchased through the Health Insurance Marketplaces and at $100 per 30-day prescription for most other health plans in the state. Oliver Wyman also took into account that the cost-sharing caps would supersede deductibles. The full analysis is attached to this memo.

Drug manufacturers establish drug prices within a monopoly established by federal law. Even when health plans and pharmacy benefit managers place a drug on a specialty tier, patient cost-sharing often represents only a small fraction of the total cost of the drug. Historically, it has been for rare conditions that the annual costs of a drug could exceed $300,000 or $400,000 per year. Unfortunately, manufacturers are increasingly setting very high costs for drugs and biologics to treat more common conditions. For example, recently approved hepatitis C drugs, priced above $80,000 for a course of treatment, are intended for a patient population of approximately 3 million. Dr. Adam Fein has written that in 2020, nine of the 10 best-selling drugs by revenue will be specialty drugs, compared with three out of ten in 2010, and seven out of ten in 2014.

Although no one has control over the price of drugs except for the manufacturers themselves, health plans and PBMs try to mitigate costs for consumers by encouraging the use of therapeutically appropriate generic drugs

or lower-cost alternatives to brand name drugs, which generally have lower copays and coinsurance. Plans can also direct patients to lower-cost pharmacy options such as those that offer home delivery for chronic medications. These types of tools empower consumers to make informed choices about how to best spend their health care dollars. Without incentives like these, brand name manufacturers obtain exactly what they have been seeking: *higher utilization of brand name drugs, which in turn increases expenses borne by all consumers*. Out-of-pocket caps on drugs artificially reduce costs to consumers, but ignore the true cost driver of expensive drugs: drug manufacturers with monopoly power setting prices too high for the health care system to bear.

Given the impact of A. 2431 on consumers, PCMA is opposed to the bill. We would welcome the chance to partner with you to find additional ways in which to allow health care and prescription drugs to remain affordable and accessible to all citizens of New Jersey.

Sincerely,

April Alexander
Assistant Vice President, State Affairs