



February 7, 2019

Honorable Members
Joint Committee on Insurance and Real Estate
Connecticut State Capitol
210 Capitol Ave.
Hartford CT 06106

RE: SB 30 (Prohibit Copay Accumulators): Oppose

Dear Members of the Committee:

On behalf of the Pharmaceutical Care Management Association (PCMA), I am writing you to provide our comments regarding SB 30 (copay accumulators). PCMA is the national association representing pharmacy benefit managers (PBMs), which administer prescription drug plans for millions of Americans with health coverage provided through large and small employers, health plans, labor unions, state and federal employee-benefit plans, and government programs.

PCMA appreciates the opportunity to provide comment on SB 30. Our industry is concerned about the bill because we believe it will restrict our ability to put downward pressure on the rising cost of prescription drugs. This bill seeks to restrict the use of health plan programs called "copay accumulators" that restrict the value of drug manufacturer-funded copay coupons from being applied to patient out of pocket maximums and deductibles.

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 be selective in the drugs they will cover, and create benefit designs that incent patient choice for the lowest cost drug that treats the condition experienced. Copay coupons may come in the form of a coupon, debit card, or some other arrangement.

Drug manufacturers encourage patients to disregard formularies and lower cost alternative by offering "coupons" to help the patient cover that higher cost. This ultimately steers patients away from cheaper alternative drugs such as generic drugs (with low copays) and toward more expensive brand drugs (with high copays), or more expensive brand name drugs, ignoring potentially equally or more effective and less expensive alternative medications.

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 allowed in the commercial market.

Copay accumulator programs are health plan programs designed to thwart drug manufacturers' efforts to force employers, unions, and public programs to pay for expensive, unnecessary brand medications through the use of copay coupons. Accumulators typically disallow the



counting of the manufacturer's coupon towards the patient's out-of-pocket max and deductible because the patient hasn't actually incurred the cost. This ensures that the patient has the incentive to use the plan formulary and that the plan functions as it was designed

Copay coupons have the effect of driving up costs for health plans, employers, and ultimately, consumers, because they drive patient utilization to higher cost drugs. A study published in the American Economic Journal estimated that copay coupons increased drug spending by up to 4.6 percent. According to the study, each 1 percent increase equals approximately \$1.5 billion in higher drug spending annually.¹ Additionally, manufacturer coupons increase total spending by \$30 to \$120 million per drug.² It is estimated that for every \$1 million in coupon donations, pharmaceutical manufacturers reap \$20+ million in profits. According to a 2017 AARP report, "Even after accounting for their research investments drug companies are among the most profitable public businesses in America. And an analysis from the research company Global Data revealed that 9 out of 10 big pharmaceutical companies spend more on marketing than on research."³ Coupons are, at their core, a marketing tool.

Supporters of coupons say that they decrease costs for patients. While they can decrease an individual patient's cost at the pharmacy counter, ultimately, the patient and the plan pay more overall. 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.

State legislation that seeks to disallow the use of accumulators eliminates an important tool in the fight against rising pharmaceutical costs. For these reasons, we must respectfully oppose this bill. We appreciate your consideration of our comments and are happy to answer any questions you have. Please contact me at 202-756-5743 if you have any questions.

Sincerely,

A handwritten signature in dark ink, appearing to read "April C. Alexander". The signature is fluid and cursive, with a long, sweeping underline.

April C. Alexander
Assistant Vice President, State Affairs

¹ "When Discounts Raise Costs: The Effect of Copay Coupons on Generic Utilization," available at: http://www.hbs.edu/faculty/Publication%20Files/DafnyOdySchmitt_CopayCoupons_32601e45-849b-4280-9992-2c3e03bc8cc4.pdf, Oct. 2016.

² Id.

³ "Why Drugs Cost So Much," AARP, available at: <https://www.aarp.org/content/dam/aarp/health/healthy-living/2017/04/drug-prices-download-final.pdf>.