March 13, 2021

Submitted Electronically

Honorable Members
House Committee on Insurance & Commerce
1 Capitol Mall
Little Rock, AR 72201

RE: HB 1569- Establish the Arkansas Fairness in Cost Sharing Act: Oppose

Dear Chairman Lowery and members of the Committee:

On behalf of the Pharmaceutical Care Management Association, we respectfully oppose HB 1569. 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 employers, health insurers, labor unions, and federal and state-sponsored health programs.

PBMs exist to make drug coverage more affordable by aggregating the buying power of millions of enrollees through their plan sponsor/payer clients. PBMs help consumers obtain lower prices for prescription drugs through price discounts from retail pharmacies, rebates from pharmaceutical manufacturers, and using lower-cost dispensing channels. Though employers, health plans, and public programs are not required to use PBMs, most choose to because PBMs help lower the costs of prescription drug coverage.

PBMs are venders. We have a business to business relationship with the entity offering the coverage. Whether it is a large self-insured employer, a health plan, or a labor union, they are the ones designing the benefit. They determine how it will be administered. Every detail is outlined in a contract between those two sophisticated entities and the services are procured in a competitive RFP process.

PCMA opposes HB 1569, which would require health insurers to count all payments made by patients (directly or on their behalf) toward their deductible and overall out-of-pocket maximums, unless a medically appropriate generic equivalent is available. **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, which are 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 alternative 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 offered by a plan sponsor.

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.

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 maximum 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.

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.

For the aforementioned reasons, we respectfully oppose HB 1569.

Sincerely,

Regina Stivers

Regina Stivers
Director, State Affairs

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[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