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HB 1084

TESTIMONY SUBMITTED REGARDING CONNECTICUT SENATE BILL 1084

COMMITTEE on INSURANCE and REAL ESTATE

Submitted by:

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Mister Chairmen, and members of the Committee, my name is Andrew Friedell and I am Director of Government Affairs for Medco Health Solutions, Inc., which is a leading health care company that is advancing the practice of pharmacy and serving the needs of approximately 65 million people. I would like to thank you for this opportunity to testify today regarding our opposition to Senate Bill 1084. This bill will have an enormous impact on increasing the cost of prescription drug care by prohibiting some of the most basic cost control tolls.

Medco provides clinically driven pharmacy services designed to improve the quality of care and lower total health care costs for private and public employers, health plans, labor unions, government agencies of all sizes, and for individuals served by Medicare Part D Prescription Drug Plans. About one third of the companies on the Fortune 500 list are Medco clients.

Medco provides drug benefits to roughly 18 percent of the Connecticut population. We mail approximately 990,000 prescriptions to state residents annually and we also operate a specialty pharmacy in Vernon, Connecticut.

SB1084 would prohibit basic control efforts in a way that would undoubtedly make pharmacy care significantly more expensive -- perhaps unaffordable -- for many employers and patients in Connecticut. The bill stipulates that a plan which provides coverage of prescription drugs shall not "impose a coinsurance, copayment, deductible or other out-of-pocket expense for nonpreferred brand name drugs that places a greater financial burden on an insured than for preferred brand name drugs."

The point of establishing a "preferred" and a "non-preferred" tier of a prescription drug formulary is to help patients understand which drugs are less expensive and which are more expensive. That is typically done by establishing a lower copay for the "preferred" drugs -- hence the name: preferred.

This practice enables the patient to make the same sort of efficient purchasing decisions that they regularly engage in when spending their own money. In fact, that is an important reason behind why a plan will design a copay structure in this manner -- they want their members to become aware of the cost of different therapies so that those members will have an incentive to make better use of plan resources. Essentially, this is an example of the plan sharing with the patient some of the savings generated when that patient makes a more economical choice of medications.

Because SB1084 seeks to ban this basic and common-sense tool to manage pharmacy spending, it runs counter to the very idea of that patients are better served when they know more about the true cost of their health care. In fact, this measure would not only prohibit plans from encouraging and rewarding better purchasing decisions by patients, it would also free up manufacturers to charge higher prices for branded medications. "Preferred" and "nonpreferred" formulary tiers -- and the different copays associated with these tiers -- play an important role in driving lower prices for branded drugs. That's because a manufacturer will be more likely to discount their drug if they believe that their pricing decisions will have an impact on the market share of their product.

It is also important to point out that because state laws of this sort apply only to fully-insured plans in the state and not to those self-insured plans that are subject to federal rules, SB 1084 will disproportionately affect those smaller employers who typically do not have the resources to self-insure. These are the same employers who not only drive job creation but who are also most vulnerable to added health care costs of the sort that would be levied by this bill. At the same time, numerous studies, including a 2003 Kaiser Family Foundation study, have found that employer-based health plans in general are increasingly shifting costs to their members. Notably, deductibles and co-payments are on the rise. SB 1084 will accelerate this problem by adding costs for plans and by removing a lower cost alternative for patients.

In summary, we believe that every benefit provider should be able to create health benefits based on their own needs and values. At a time when coverage is eroding, when overall healthcare costs are going up and when employees and retirees' out-of-pocket costs are on the rise, employers need support, not shackles, in designing their drug benefits. I appreciate the opportunity to submit our concerns with this legislation. I look forward to answering any questions you may have on my testimony.