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STATE OF CONNECTICUT

INSURANCE DEPARTMENT

Testimony

Insurance and Real Estate Committee

February 5, 2015

Proposed Bill 24: An Act Establishing Standards and Requirements for Insurers' Drug Formularies, Requiring Disclosure of Certain Health Insurance Plan Information for Consumer Comparison Purposes, and Requiring the Connecticut Health Insurance Exchange and the Insurance Department to Evaluate Health Insurers' Compliance with the Affordable Care Act

Senator Crisco, Representative Megna, and members of the Insurance and Real Estate Committee, the Insurance Department appreciates the opportunity to submit written testimony on **Proposed Bill 24: An Act Establishing Standards and Requirements for Insurers' Drug Formularies, Requiring Disclosure of Certain Health Insurance Plan Information for Consumer Comparison Purposes, and Requiring the Connecticut Health Insurance Exchange and the Insurance Department to Evaluate Health Insurers' Compliance with the Affordable Care Act**. Proposed Bill 24 seeks to limit insurance carriers from modifying drug formularies during the year and to have the Insurance Department and Exchange jointly evaluate insurers' compliance with the Affordable Care Act ("ACA"). Without more definition than the concept information, we cannot provide specific comment; however, we do want to make you aware of certain information that may help you as you consider whether to go forward with this proposal.

As you know, Access Health CT is marketplace for the Qualified Health Plans ("QHP") offered under the ACA. As such, they are not a regulator, but do have responsibility for making sure that the marketplace complies with all ACA requirements regarding the marketing of QHPs. The Connecticut Insurance Department is by statute the only regulator of health insurance and health insurance carriers and it is our obligation to oversee compliance with all laws relating to insurance. We have taken our responsibility to oversee compliance with the ACA seriously since the day it was enacted and will continue to do so.

We recently had the opportunity to survey the major health carriers regarding their drug formularies and pharmacy practices in general. The Department was informed that all carriers post their respective formularies on their individual websites. In addition, while the ACA will require this in the near future, most carriers are already using a Pharmacy and Therapeutics Committee to determine which drugs should be placed in which tiers. Many carriers operate on a five or fewer tier system in which the tier with the highest level of cost sharing is the "specialty tier". Drugs are placed in tiers based on many factors including their effectiveness, cost, and utilization. Changes which are beneficial to insureds such as adding a new drug to a formulary or moving a current drug to a lesser cost sharing tier happen throughout the year; the carriers have voluntarily established a practice whereby changes which could adversely affect insureds such as

moving a drug to a higher cost sharing tier or removing the drug from the formulary, such as when a generic drug comes to market, are limited to two times or less a year and are made with prior notice.

While the Department appreciates the Connecticut General Assembly's attempt to help consumers more easily navigate prescription drug formularies, these prohibitions may produce unintended consequences if carriers are limited in their formulary flexibility and cannot make the beneficial formulary changes identified above. .

The Department thanks the Insurance Committee Chairs and members for the opportunity to provide this testimony and is happy to provide any assistance you may require if you pursue this legislation.

About the Connecticut Insurance Department: The mission of the Connecticut Insurance Department is to protect consumers through regulation of the industry, outreach, education and advocacy. The Department recovers an average of more than \$4 million yearly on behalf of consumers and regulates the industry by ensuring carriers adhere to state insurance laws and regulations and are financially solvent to pay claims. The Department's annual budget is funded through assessments from the insurance industry. Each year, the Department returns an average of \$100 million a year to the state General Fund in license fees, premium taxes, fines and other revenue sources to support various state programs, including childhood immunization.