Quality is Our Bottom Line

INSURANCE COMMITTEE PUBLIC HEARING

TUESDAY, MARCH 6, 2018

CONNECTICUT ASSOCIATION OF HEALTH PLANS

TESTIMONY REGARDING CONCERNS WITH

HB 5384 AN ACT CONCERNING PRESCRIPTION DRUG COSTS

The Connecticut Association of Health Plans appreciates the intent of HB 5384 in that it attempts to rein in exorbitant drug pricing practices. Health carriers have long been at the forefront of this battle employing techniques like prior authorization, tiered formularies, step-therapy, and cost-sharing, which while not always popular, are critical in keeping drug costs down, premiums affordable and ensuring the clinical appropriateness of certain prescriptions.

Health insurers also rely upon pharmaceutical benefit managers (PBMs) to negotiate drug discounts that in turn lower overall premiums. In recent deliberations by the Health Care Cabinet, the Department of Insurance estimated that premiums would increase by 3 to 4 percent over regular trend if rebates were required to be passed through at the point-of-sale as some have suggested. While Section 6 of HB 5384 **(which we oppose)** stops short of requiring a full pass-through, our fear is that it will still have the unintended impact of raising premiums. PBMs take on different structures within the market. Many are integrated within the health carrier itself and as such the savings they deliver are a fundamental component of the insurer's health benefit design. While other carriers may contract out for the service, the concept is the same. ***Segregating out one component of savings and applying it to one benefit alone is like robbing Peter to pay Paul.***

There is no doubt that pharmaceutical prices are cost prohibitive and we agree with the proponents of this bill that the issue needs to be addressed. The question is how best to seek relief. The headlines have been dominated by legal action of late in seek of redress from both price-gouging and questionable marketing practices. States, cities, towns, and individuals alike have all fought back against the epidemic created by the over prescribing of opioids. Health plans have removed certain drugs from their formularies in response to overnight price hikes. In the course of this debate, keep in mind:

- A 32-year-old CEO of Turing Pharmaceuticals jacked up the price of a 62-year-old drug called Daraprim from $13.50 a pill to $750 a pill overnight. Daraprim is used by some AIDS and cancer patients and to treat life-threatening parasitic infections; and,

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- Sovaldi, the Hepatitis C drug, topped out at $80,000 for a 30-day supply and EpiPens went from $100 in 2007 to $608 for a two-pack in just the last two years.

These and other examples threatened to cripple state and family budgets across the country as pharmacy remains one of the largest single drivers of health insurance cost. On average, pharmaceutical prices increase premiums between 15% to 20% a year. The reasons are varied. The number of overall prescriptions issued has increased dramatically, new biologic specialty drugs that cost hundreds of thousands of dollars have come on line faster as a result of quicker FDA approval, and, demand continues to escalate as consumers are bombarded by relentless TV commercials and other advertising. Many of the most heavily promoted drugs often have no better clinical outcome than their less expensive counterparts.

Our concern is that Section 6 distracts from the real issues that are driving up costs and, in fact, may do more harm than good if enacted by inadvertently raising premiums. We respectfully submit that public policy should first focus on the unit costs that are driving prices before looking at how to best divide the savings carriers and PBMs derive from their negotiations.

Furthermore, it's important to remember that Connecticut's authority to enact these provisions applies ***only*** to the fully-insured market which effects less than 35% of state's population. That's true as well for all the other bills under consideration by the Committee. Fully-insured employers are generally small businesses who can't afford to take the risk associated with becoming self-insured. Large employers, that are ***self-insured and therefore federally regulated***, would still have the ability to attribute drug rebates as they see fit regardless of the bill's passage.

Other sections of the bill raise both challenges and opportunities. We support efforts to call out excessive drug pricing and look forward to working with the proponents of the bill on the best way to accomplish that goal but we remain concerned about the cost, administrative burden, and dual regulation that some of the sections present.

Thank you for your consideration.