SB 139 Prescription Cost Amendments (Sen Vickers)

Anticipated Fiscal Impact for State Insurance Plan:
$2,202,726 per year ($8.81 PEPM)

Summary

Health Plans evaluate drugs for safety and efficacy in determining which drugs to cover and which to exclude. Health Plans then take relative costs into account in putting drugs into different payment tiers with the purpose of discouraging high-cost drugs by requiring more out-of-pocket when lower cost alternatives are available.

To counter payment tiers, drug manufacturers routinely pay large portions of out-of-pocket costs through "copay assistance." As a result of copay assistance, health plans pay for more higher-priced drugs.

Health plans don't consider copay assistance as out-of-pocket costs of the member. Consequently, they don't credit copay assistance to a member's deductible or out-of-pocket maximum. Further, plans see copay assistance as defeating payment tiers and unfair to other members who are required to pay out-of-pocket for their medical care. They also see an opportunity to maximize the value of copay assistance to reduce plan costs that would be lost if assistance was applied to deductibles and out-of-pocket maximums.

As written, SB 139 would require health plans to credit copay assistance toward a member's deductible and out-of-pocket maximum in the following circumstances:

- If a generic drug is not available
- If a drug has been authorized by the health plan
- After a patient on an HSA plan has reached their deductible

SB 139 would impact the State Health Insurance Plan in the following ways:

- The bill would limit PEHP's ability to offset available copay assistance to reduce drug costs for the state at an estimated cost of $1,762,896.

- It would reduce the amount that members would have to pay out-of-pocket for non-pharmacy costs and would, instead, shift those costs to the plan at estimated cost of $382,052 for Tier C members.

- It would increase utilization as members more quickly hit their out-of-pocket maximum $57,778 Tier C members.

In total, we estimate SB 139 would cost the state $2,202,726

Offsetting Copay Assistance. The bill would limit PEHP's ability to offset available copay assistance to reduce drug costs for the state.

Specialty drugs are expensive. On average they cost $70,000 a year. They are typically used for chronic conditions and so a person who is on a specialty drug can expect to be on that drug throughout their life.

Since 2015, PEHP has adopted a creative approach for maximizing copay assistance offered by drug manufacturers to offset the cost of specialty drugs to the state. The value of copay assistance can exceed $20,000 per year and represent savings that are not available through discounts or rebates.

PEHP actively monitors the availability of copay assistance and then matches that assistance with a copay tier that will best maximize that assistance. This significantly reduces costs to the state while ensuring members don't pay more out-of-pocket.

For example, if a drug cost $10,000 and $3,000 of copay assistance was available, PEHP would set member cost sharing at 30%. Accordingly, copay assistance would pay $3,000 and the state would pay the remaining $7,000.

However, had the member only been responsible to pay $250, the state would pay $9,750 and copay assistance would have paid $250—because that is all the member would be required to pay.

By selectively increasing member cost sharing to maximize copay assistance, PEHP saves the state significant amounts. In either scenario, the member pays the same amount—usually less than $20. This only works because of the drug manufacturer's decision to offer copay assistance.

SB 139 would limit PEHP's ability to offset copay assistance for the benefit of the state because counting copay assistance for specialty drugs toward a member's deductible and out-of-pocket maximum quickly eliminates a member's cost sharing responsibilities. In fact, when a member's out-of-pocket maximum is met, the member pays zero. That means there would be no copay assistance to offset.

Currently, $1,968,561 is paid by copay assistance but not contributed to deductible or out-of-pocket maximums for qualifying specialty drugs. After accounting for assistance that would be applied to the deductible under the language of bill, the offset amount the state would lose for specialty drugs would be $1,365,189.

The state would also lose offset for brand name drugs, too. PEHP began tracking and excluding copay assistance from deductibles and out-of-pocket maximums this year. Consequently, we can only estimate the potential impact which we believe would be 5%- the same amount we've achieved in savings for specialty drugs. After accounting for applicable deductible payments, the cost for these drugs would be $397,707.

Cost shift from Crediting Copay Assistance. The effect of applying copay assistance to a member's deductible and out-of-pocket maximum is that it can both reduce and eliminate out-of-pocket costs that would normally apply. This creates a cost shift to the state plan that would not otherwise exist. Looking just at members who utilize Tier C specialty drugs, the amount the state would pick up in lost out-of-pocket costs is $382,052.

Impact of Increased Utilization. Actuarial data shows that when members reach their maximum out-of-pocket, then tend to consume 15% more in healthcare than they otherwise would. This would amount to $57,778 for members on Tier C specialty drugs.

Contract Guarantees. PEHP recently entered into a new PBM contract that includes guarantees tied to copay assistance that would be materially impacted by SB 139. PEHP, however, is unable to quantify that impact and so it has excluded that from this analysis.