

Public Testimony
House Consumer Affairs Committee
House Bill 2113, Printer's No. 3043

April 30, 2018

Independence Blue Cross (Independence) thanks Chairman Godshall, Chairman Caltigirone, and members and staff of the Consumer Affairs Committee for the opportunity to offer comments on House Bill 2113. Independence has been operating for nearly 80 years in the 5-county southeastern Pennsylvania region and provides insurance coverage to nearly 2.5 million members with the mission of enhancing the health and well-being of the people and the communities we serve.

As written, House Bill 2113 would prohibit health insurers from making changes to health insurance coverage – a blanket prohibition that does not account for changing medicine, science or market conditions. The legislation broadly prohibits changes to health care benefits (*all* products, services, procedures, treatments and cost sharing) and specifically looks to target one of the most dynamic aspects of a health insurance policy – prescription drug coverage.

House Bill 2113 restricts insurers' ability to keep pace with evolving medicine. The bill would remove some of the only methods available to insurers seeking to ensure that members have access to life-saving and life-enhancing medications, while importantly balancing quality and safety standards and the affordability of coverage. Keep in mind that these are the same methods used by public programs such as Medicaid, Medicare and also state employee programs.

Through this testimony, Independence will focus on how and why we make changes to certain prescription coverages. We will also discuss Independence's use of some of the very tools this legislation would prohibit – for example, prescribing limits and implementing or removing prior authorization – all of which are helping us to aggressively tackle the opioid crisis in our region.

Our message is this: We need to better understand the specific issues or instances driving House Bill 2113 so we can work to address them without disrupting the critical role that health insurers, public programs and other large purchasers play in ensuring access to safe, effective, affordable drug coverage.

Independence Prescription Drug Benefits

Independence has an obligation to our members to maintain a current formulary, or list of FDA-approved prescription medications, and medical and pharmacy policies to reflect the latest evidence-based medical standards. Our formularies are reviewed by the state and federal governments as part of our annual filing process. These reviews identify if a health plan's formulary covers a sufficient number of drugs in each category and class, including a review for non-discrimination and for an unusually high number of medications subject to prior authorization or step therapy requirements.

Just as the production of improved and breakthrough prescription drugs changes based on the market, so does the Independence prescription drug formulary. The formulary is updated to reflect evolving medicine based on factors including but not limited to: the availability of lower-cost and proven effective generic options; changes in safety standards and indicated uses; and new drug efficacy studies per medical journals and specialty societies.

Formulary changes are approved by our Pharmacy and Therapeutics Committee comprised of physicians and pharmacists not employed by the health plan who review recommended changes against the latest medical evidence and literature to determine formulary updates.

Regardless of the reason, however, Independence seeks to limit the number of formulary changes per year and, in the event of a change, provides advance member notice. There is also an appeals process for members (or their providers) who want to remain on a certain medication.

It is important to note that Independence takes great caution in our approach to members with clinically sensitive conditions for whom abrupt changes in medication could lead to an adverse health event. These medications include but are not limited to immunosuppressants (for transplant patients), anticoagulants and those used to treat HIV, hemophilia, cancer and seizures. In these cases, formulary changes only apply to members who will begin treatment in the future, while existing members would not experience a change.

Beyond clinically sensitive conditions, other adjustments in drug coverage are made on a “go forward” basis. This means *if* a change were to be made to the way a drug for a more common health condition is administered (example – cholesterol drugs), existing patients would be notified in advance of the change, and members for whom the drug has been newly prescribed would follow the formulary in place at the time of diagnosis.

House Bill 2113 and the Opioid Crisis

Top of mind and close to home for many Pennsylvanians is the devastating and deadly impact of the opioid crisis. Independence is proud of the many steps we have taken through our pharmacy and medical areas to help reduce opioid overprescribing. Because of specific changes we made to our prescription drug benefit, including adding prior authorization and limiting the duration of initial opioid prescriptions to five days, Independence has reduced opioid utilizers by 30 percent (40,000 fewer members) and has reduced opioid scripts by 35 percent (85,000 fewer prescriptions). Had the provisions of House Bill 2113 been in effect, these overwhelmingly positive results would not have been possible.

What Else Is Driving Drug Benefit Changes?

It has been noted that there are a number of reasons for drug formulary changes including quality or safety concerns or inappropriate utilization. However, we cannot ignore the fact that – absent such tools as tiering and prior authorization – the ever-increasing cost of prescription drugs would go unanswered and unchecked.

By removing the ability to make any change in coverage, House Bill 2113 will ensure that there is no control over the pricing crisis created by drug manufacturers. A recent analysis conducted by Pharmacy Benefits Consultants and reported by Axios revealed the following:

- Since January 2017, 20 drugs have seen price hikes of 200 percent or more.
- The makers of Humira (auto-immune diseases), the best-selling drug in the world, hiked its price by 19 percent over the 14-month period, and the makers of Enbrel (auto-immune diseases) did the same and the list price of Revlimid (blood cancer) increased by 20 percent. These high-cost, best-selling drugs were estimated to generate over \$33 million in revenue in 2017.
- SynerDerm, a prescription skin cream, had the largest price hike, the makers spiking the list price by 1,468 percent.

- A total of 39 drugs saw price hikes of at least 100 percent, according to the analysis.

Independence experienced similar trends in the growth of pharmaceutical costs from 2012 through 2016:

- The average wholesale price per member prescription increased **24 percent**.
- Total cost of prescription claims Independence paid out increased 40 percent, **from \$806 million in 2012 to \$1.1 billion in 2016**.
- Prescription drug claims paid for specialty and compounded prescriptions increased by **275 percent**.
- Overall, average costs of **specialty drugs are over 60 times the amount spent on generic drugs**, making up more than **65% of overall pharmacy drug spend at Independence but amounting to only 2.1% of utilization**.

These figures underline the negative potential consequences of House Bill 2113: restricting health insurers' ability to react to the dynamic and costly innovation taking place in the prescription drug market while allowing drug manufacturers to continue to drive costs with frequent, ad hoc price increases for new and existing medications.

Transparency

Independence would also like the Committee to be aware of health insurer transparency requirements related to prescription drug coverage. In addition to state and federal formulary reviews, these requirements are to the benefit of consumers and prescribing physicians and represent a level of transparency that does not exist for drug manufacturers.

- Health plans are required by federal regulations publish on a monthly basis up-to-date and complete lists of all covered drugs on their formulary, any tiering structures and/or applicable restrictions, such as prior authorization or step therapy. Formularies must be published in a manner that is easily accessible to plan enrollees, prospective enrollees, the state, the U.S. Department of Health and Human Services, the U.S. Office of Personnel Management, and the general public. Importantly, members and the general public can access drug formularies online at healthcare.gov and within two "clicks" from the Independence homepage.
- Section 2715 of the Affordable Care Act and subsequent regulations address the Summary of Benefits and Coverage, which requires plans to accurately describe benefits and coverages under group and individual health insurance plans. The required disclosures include cost-sharing provisions and coverage examples for consumers to use as a plan comparison tool.

Conclusion

Independence remains interested in exploring and addressing the specific issues or instances that drove the introduction of House Bill 2113. We are concerned that the broad approach of this legislation will ultimately result in insurers being unable to stem the tide of unsafe, inefficient care, a real but unintended consequence of the legislation.