The Role of Health Insurance Providers in Keeping Prescriptions Affordable

New Mexico Legislative Health and Human Services Committee

August 10, 2022

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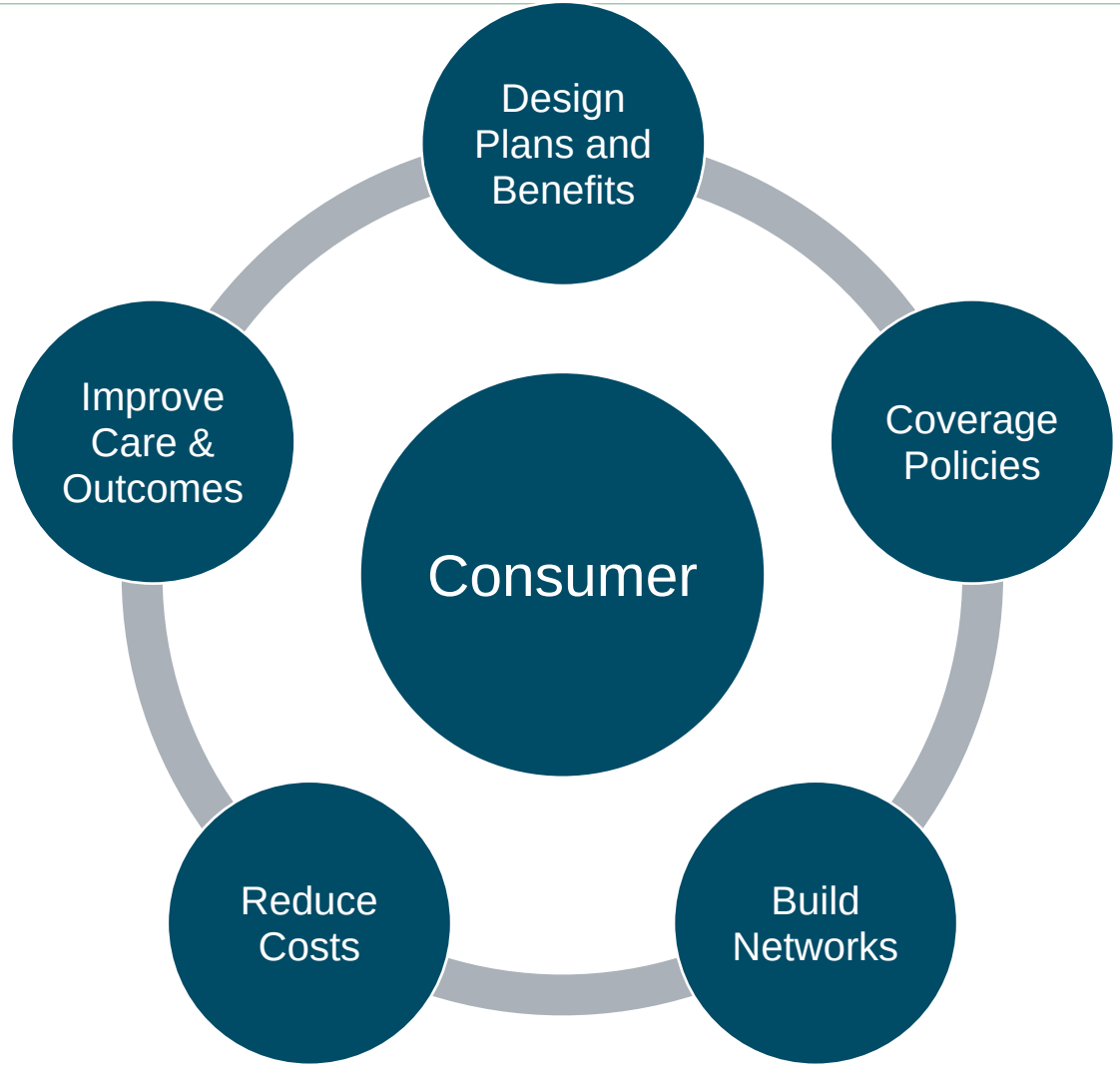
About AHIP

AHIP is the national association whose members provide health care coverage, services, and solutions to hundreds of millions of Americans every day. We are committed to market-based solutions and public-private partnerships that make health care better and coverage more affordable and accessible for everyone.

Visit www.ahip.org to learn how working together, we are Guiding Greater Health.

Health Insurance Providers = 360º View

MEDICAL



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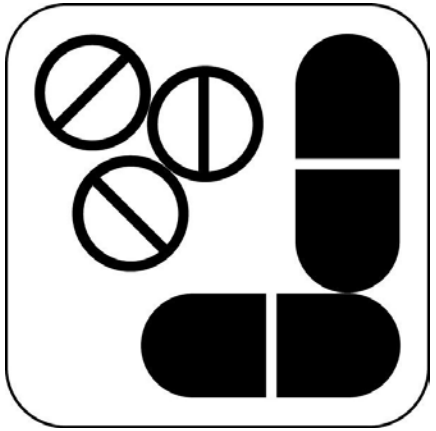
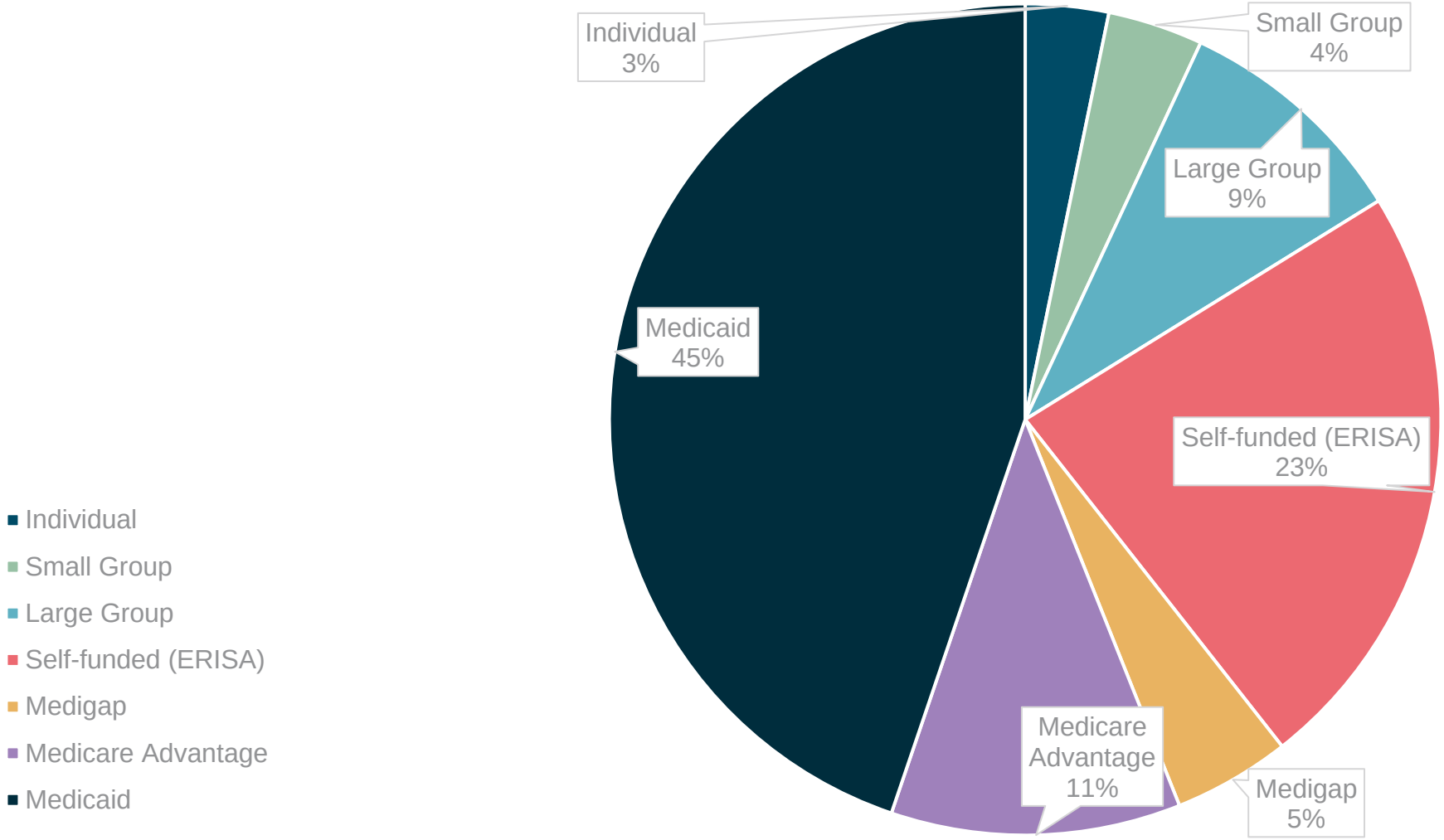


New Mexico Health Insurance Market



Source: Data compiled by America's Health Insurance Plans (AHIP), Center for Policy and Research, March 2021.

Rx Spending Growing at Unsustainable Rates

U.S. spending on prescription medicines is projected to reach **up to $400 billion by 2025.**

$400 billion (2025)

$335 billion (2018)

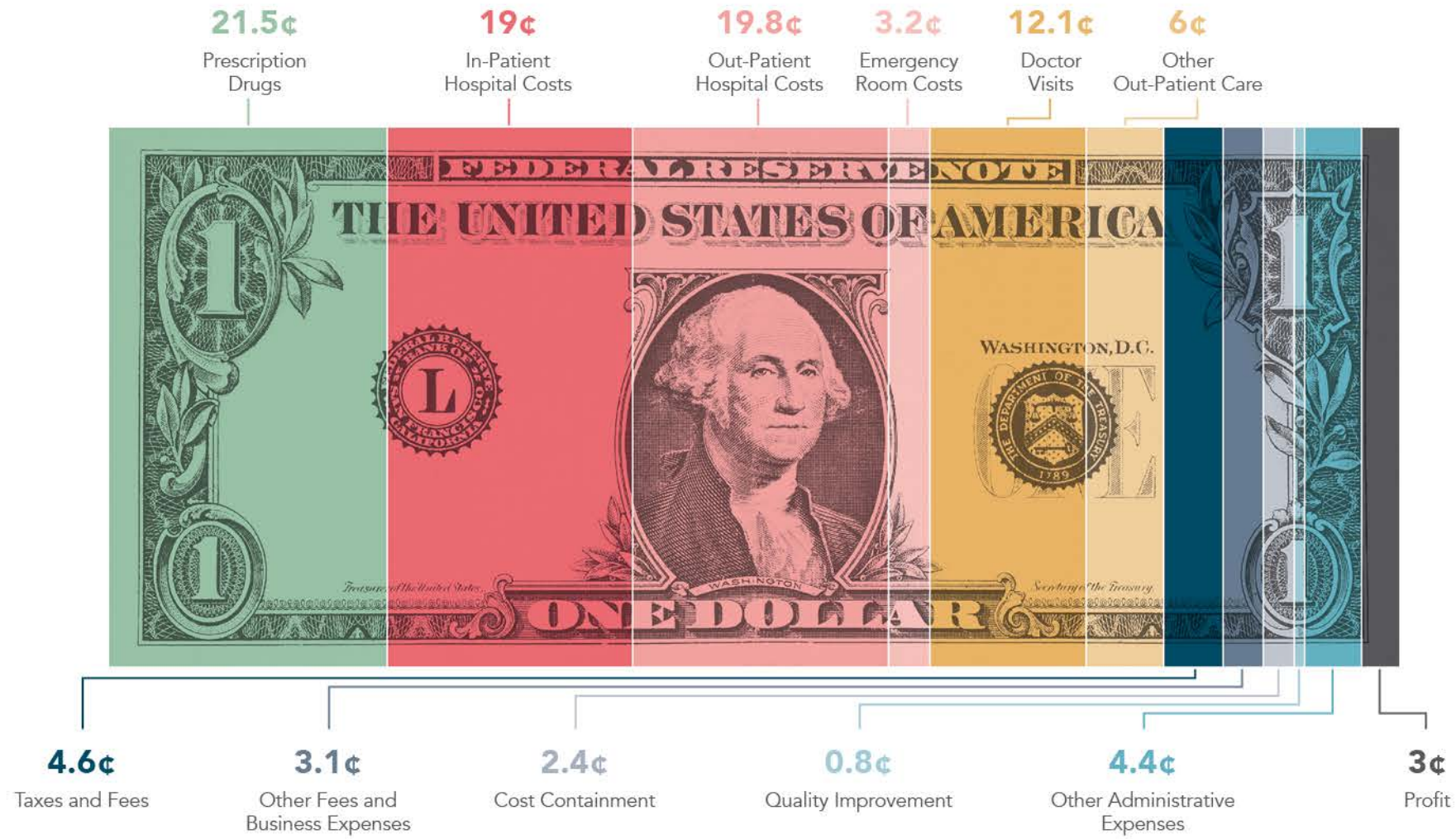
$30 billion (1980)

Sources: Prescription Drugs: Spending, Use, and Prices, Congressional Budget Office, January 2022; The Use of Medicines in the U.S., IQVIA institute, May 27, 2021.

Where Does Your Health Care Dollar Go?

Your premium—how much you pay for your health insurance coverage each month—helps cover the costs of the medications and care you receive and improves health care affordability, access and quality for everyone. **Here is where your health care dollar really goes.**

This data represents how commercial health plans spend your premiums. This data includes employer-provided coverage as well as coverage you purchase on your own. Data reflects averages for the 2016-18 benefit years. Percentages do not add up to 100% due to rounding.



https://www.ahip.org/resources/where-does-your-health-care-dollar-go

New Mexico's Health Insurance Rate Review

Spring

- Insurance providers propose rates for individual/small group plans for the next calendar year.

Summer

- The Office of the Superintendent of Insurance reviews proposed rates and coverage benefits for every plan to be sold on/off beWellnm.

Fall

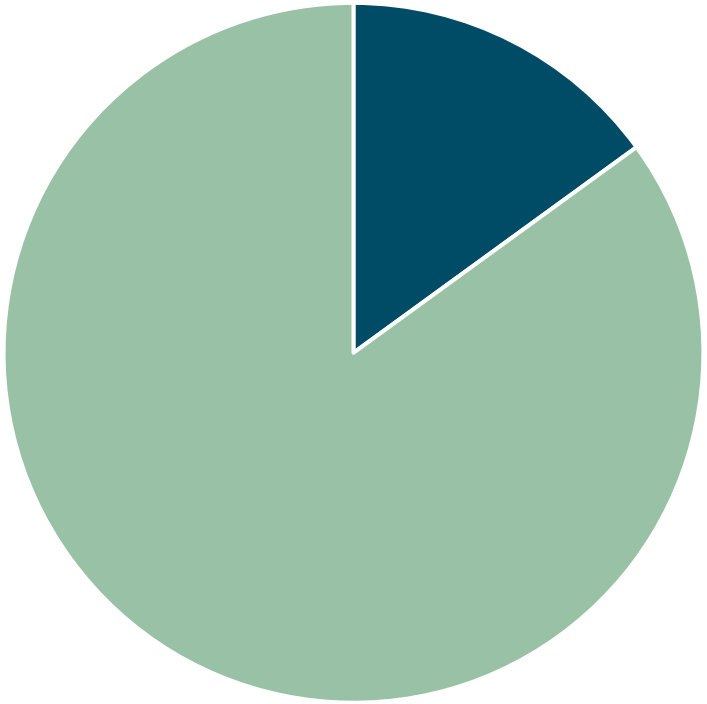
- The Office of the Superintendent of Insurance approves rates. Plans are sold during open enrollment (November 1 – January 15).

The Vast Majority of Premiums Goes Toward Medical Costs

Administrative Costs:

- Customer service lines
- Websites & online consumer tools
- Provider engagement
- Pharmacy benefits management
- Fraud & abuse prevention
- Accreditation costs & compliance with state laws
- Agent & broker commissions
- Operating costs (salaries, facilities, IT)
- Marketing and enrollment
- Claims administration

Health Plans MLR



Medical Costs:

- Doctor's visits
- Other health care provider visits (i.e. physical therapy)
- Hospital stays
- Prescription drug costs
- Medicaid equipment and supplies
- Quality Improvement activities

If MLR is not met, rebates are provided to policyholders

[Small Group & Individual Admin Costs is 20% = 80% MLR]

Actuarial Value and Consumer Cost-Shares

The ACA requires actuarial values and cost shares for health plans sold on the individual and small group markets.

Metal tier	Bronze	Silver	Gold	Platinum
What that means	Insurance provider pays 60% of medical costs. Consumer pays 40% in deductibles, copays, and coinsurance.	Insurance provider pays 70% of medical costs. Consumer pays 30%	Insurance provider pays 80% of medical costs. Consumers pays 20%	Insurance provider pays 90% of medical costs. Consumers pays 10%

The federal government sets the annual out-of-pocket maximum. For 2022, it is $8,700 for an individual and $17,400 for a family.

Health Insurance Providers' Tools to Drive Down Costs

Formularies:
High-value, outcomes-based formularies which ensure that covered drugs are safe, effective, and affordable.

Medical Management:
Ensure quality and manage costs.

Value Based Models:
Reimburse care based on clinical outcomes, not just quantity.

Rebates:
Negotiating rebates to drive down costs for patients.

PBMs:
Using PBMs as additional efficiency in administering prescription drug programs.

Medical Management Promotes Smart Care

What are Medical Management Tools?

- Evidence-based medical necessity review
- Formulary and provider tiered network designs
- Prior and concurrent authorization
- Quantity/dosing limits and step therapy approaches

Health insurance providers and government-sponsored health programs use medical management tools to:

- Promote patient safety
- Prevent unnecessary, inappropriate, and potentially harmful care
- Improve and better coordinate care
- Increase health care affordability for consumers

What Does NOT Drive Higher Drug Prices: Rebates

- Savings from rebates lead to lower health insurance premiums and out-of-pocket costs for millions of hardworking Americans.
- Rebates are negotiated by manufacturers to make the drug price more attractive. Negotiated rebates encourage competition among manufacturers offering therapeutic alternatives.
  - The most expensive drugs – those that have no competition – do not offer rebates.
- A recent analysis compared price increases for rebated and non-rebated drugs and found that price increases were roughly the same for both groups, so rebates were not driving higher price increases.
- ***Rebates do not impact clinical assessments made by P&T committees regarding appropriate coverage and management tools*.** Formulary designs must be clinically appropriate and ensure access to drugs that meet patient needs.

Secure, Direct Delivery of Specialty Drugs

- While retail drug spending will grow faster than other health care sectors, spending on specialty drugs is growing even faster.
  - AARP: In 2020 specialty drugs were 13x more expensive than brand prescription drugs $84,442 v. $6,604
  - JAMA Article Jan 2021: Specialty drugs are a leading contributor to drug spending growth… "physicians and hospitals face limited incentives to mitigate spending, and there is weak provider negotiating power for price concessions from manufacturers."
- To lower specialty drug costs, health insurance providers may contract with certain specialty pharmacies to distribute very expensive specialty drugs at negotiated lower costs. If a patient is getting treatment in a hospital, the drug will be shipped to the hospital to be administered and it can also be shipped to a patient's home. This is only done with drugs which do NOT pose any safety issues
- The use of specialty pharmacies is a pro-competitive, innovative response to lower patient's health care costs.

New Mexico Has a Role in Lowering Drug Costs

Overall Cost to the Health Care System

- Any policy proposal must consider both the individual consumer perspective AND the overall cost to the health care system.

Prevent Harmful Markups

- Protect the use of specialty pharmacies to prevent harmful markups and increased costs for patients.

Avoid Barriers to Accessing Cheaper Drugs

- Ensure that substitution laws do not create barriers to accessing more affordable drugs, such as biosimilars.

Support Transparency Across the Supply Chain

- Advance notification of drug cost increases and launch prices.
- Ensure drug representatives include prices when marketing to physicians.
- Increase scrutiny of existing patient assistance programs.

Thank you – for passing mandated generic substitutions!

Additional AHIP Solutions

Thank you!

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