

December 5, 2018

The Honorable Kevin Cahill  
Chairman, Health, Long-Term Care & Health Retirement Issues Committee  
National Council of Insurance Legislators  
2317 Route 34, Suite 2B  
Manasquan, NJ 08736  
Via email to William Melofchik, NCOIL Legislative Director

**RE: NCOIL Draft Drug Pricing Transparency Model**

Dear Chairman Cahill:

The Pharmaceutical Research and Manufacturers of America (PhRMA) supports NCOIL's development of a Drug Pricing Transparency Model that broadens the transparency conversation throughout the pharmaceutical supply chain.

PhRMA represents the country's leading biopharmaceutical research companies, which are devoted to discovering and developing medicines that enable patients to live longer, healthier, and more productive lives. Since 2000, PhRMA member companies have invested more than \$600 billion in the search for new treatments and cures, including an estimated \$71.4 billion in 2017 alone.

Spending growth for pharmaceuticals has slowed to the lowest levels in years,<sup>1</sup> but insured patients' costs continue to rapidly increase.<sup>2</sup> Policymakers aiming to improve affordability and access for patients often look to the list price of medicines and pursue legislation that would require pharmaceutical manufacturers to report a broad range of confidential and proprietary information, but have often failed to require transparency by insurers and pharmacy benefit managers (PBMs), and others who directly determine or influence patient out-of-pocket costs.

Any required disclosures by drug manufacturers, pharmacy benefit managers, and health insurers should focus on helping consumers understand what matters to them most: their benefit design and what they can expect to pay for their medications. As part of a competitive marketplace system, consumers should have information to be able to meaningfully compare pharmacy benefits offered by health insurers.

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<sup>1</sup> Centers for Medicare & Medicaid Services. National Health Expenditures Data.

<sup>2</sup> Claxton G, Levitt L, Long M, et al. Increases in cost-sharing payments have far outpaced wage growth. Peterson-Kaiser Health System Tracker. October 4, 2017. <https://www.healthsystemtracker.org/brief/increases-in-cost-sharing-payments-have-far-outpaced-wage-growth/>.

In the draft Drug Pricing Transparency Model, NCOIL appropriately has acknowledged the role of insurers and PBMs in supporting effective state transparency laws, and with good reason:

- Despite the significant rebates and discounts negotiated by PBMs, over half of commercially insured patients pay cost-sharing amounts based on a medicine's list price, and in the last decade, patient out-of-pocket costs have substantially outpaced payments made by health plans.
- For some consumers, deductible payments have increased by as much as 230% and coinsurance payments have risen 89%, compared to a 56% increase in payments made by health plans.<sup>3</sup>
- PBMs negotiate significant rebates and discounts with drug manufacturers that can reduce list prices by 70% or more for certain medicines used to treat chronic conditions, like diabetes. Total rebates, discounts and other price concessions paid by pharmaceutical manufacturers have increased by 107% from \$74 billion in 2012 to \$153 billion in 2017.<sup>4</sup>

PhRMA does not support many of the reporting requirements that have been enacted or introduced in state legislation to date, because those provisions do nothing to further the policy objective driving these measures – lower costs.<sup>5</sup> However, PhRMA does understand the desire for transparency in drug costs and the broader health industry, and supports meaningful transparency measures that will inform patients about their pharmaceutical benefits. Only by taking a wholistic view of the many factors and stakeholders that affect drug costs will states and patients gain the full understanding needed to make important decisions.

PhRMA looks forward to continued engagement with NCOIL in the development of the Drug Pricing Transparency Model Act. We stand ready to provide any assistance or technical expertise that you may find beneficial.

Sincerely,



Saiza Elayda, JD  
Director, State Policy  
PhRMA

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<sup>3</sup> Claxton G, Levitt L, Long M, et al. Increases in Cost-Sharing Payments Have Far Outpaced Wage Growth. Peterson-Kaiser Health System Tracker. October 4, 2017. <https://www.healthsystemtracker.org/brief/increases-in-cost-sharing-payments-have-far-outpaced-wage-growth/#item-start>

<sup>4</sup> Fein AJ. The gross-to-net bubble topped \$150 billion in 2017. Drug Channels Institute. April 24, 2018. Available at: <https://www.drugchannels.net/2018/04/the-gross-to-net-rebate-bubble-topped.html>

<sup>5</sup> <https://democrats-oversight.house.gov/investigations/investigation-of-the-gray-market>