



May 24, 2019

David Cutler, Committee Chair, Market Oversight and Transparency
Health Policy Commission
50 Milk Street, 8th Floor
Boston, MA 02109

Sara Sadownik, Deputy Director, Research and Cost Trends
Health Policy Commission
50 Milk Street, 8th Floor
Boston, MA 02109

Re: Drug Coupon Study

Dear Commissioner Cutler and Deputy Director Sadownik:

On behalf of the Massachusetts Association of Health Plans (MAHP), which represents 17 member health plans that provide coverage to approximately 2.8 million Massachusetts residents, I am writing in response to the Health Policy Commission's (HPC) request for comments to inform its study on the utilization of prescription drug coupons pursuant to Chapter 363 of the Acts of 2018. We appreciate the opportunity to participate in the HPC's stakeholder engagement process and we are pleased to offer our comments.

MAHP and our member health plans place a high priority on providing high quality and affordable health care coverage to Massachusetts employers and consumers. While significant effort has been undertaken to meet the Cost Growth Benchmark, there is still much more work to be done to improve the quality and affordability of health care in the state and prescription drug prices continue to be one of the largest drivers of health care costs. As the HPC's 2018 Annual Health Care Cost Trends Report noted, along with outpatient hospital spending, prescription drug spending was the largest driver for the increase in total health care expenditures from 2016 to 2017, growing at 4.1%. This continues a yearly trend, as both pharmacy and outpatient spending were the biggest cost drivers from 2015 to 2016 as well. Additionally, the Center for Health Information and Analysis' (CHIA) *2018 Annual Report of the Massachusetts Health System* showed that prescription drug spending increased by 5.0% and accounted for 15.8% (\$9.7B) of the Total Health Care expenditures (\$61.1B). Clearly, these increases are unsustainable and threaten affordability for employers and consumers. The exorbitant cost of prescription medications creates a barrier for patients to receive the treatments they need.

MAHP has historically opposed the use of prescription drug coupons. While coupons might appear to be a good deal for consumers, in the long run, they will lead to higher costs and fewer options for consumers, employers, and the state. Although the consumer may pay a lower copayment for a short amount of time, health plans pay significantly more for the higher cost drug covered by the coupon, which will in turn be borne by consumers and employers in the form of higher premiums.

When the law in Massachusetts changed to permit pharmaceutical manufacturers to offer coupons and rebates to consumers for the out-of-pocket portion of their prescription medication costs in 2012, many, including MAHP, were concerned about the potential for the use of coupons to increase health care costs. We have described our concerns in more detail below and offer some additional research questions we think the HPC should also examine as it studies the impact of coupons, discounts, and other product vouchers for prescription drugs on pharmaceutical spending and health care costs in Massachusetts.

Manufacturers Use Coupons to Drive Utilization of Higher Cost Prescription Drugs

In analyzing the prevalence of prescription drug coupon use, the HPC should first examine when manufacturers issue coupons and when they do not. Prescription drug coupons encourage the use of more expensive brand name drugs when less expensive alternatives are available. Drug coupons are generally offered to consumers in connection with more expensive brand drugs when there are less expensive alternatives available in the market in order to drive utilization to the more expensive drug. These alternatives not only include generic equivalents of the couponed drug, but other therapeutic alternatives, such as less expensive (or “preferred” from a formulary and cost sharing perspective) therapeutically equivalent brands, generics of therapeutically equivalent brands, and biosimilars available to the member. Coupons are generally not available for innovative products with no therapeutic alternatives. In 2017, researchers from Northwestern, Harvard and UCLA studied the effect of copay coupons on brand-name drugs for which a generic equivalent was available. The study examined a list of 85 drugs that faced generic competition for the first time between 2007 and 2010. Using a popular coupon website, they identified 23 of those drugs that had a discount card available and to compare utilization of drugs with or without coupons, they examined data from Massachusetts and New Hampshire. The researchers found that for brand-name drugs facing generic competition, these coupons boost retail sales by 60% or more, entirely by reducing the sales of bioequivalent generics. During the five years following generic entry, the researchers estimate that coupons increase total spending by \$30 to \$120 million per drug. That translates to as much as a \$2.7 billion increase in spending for the 23 drugs studied over five years after a generic entry.¹

Drug Coupons Increase Costs for Employers and Consumers

Coupons for prescription drugs provide short-term “assistance” for consumers by reducing or eliminating the copayment for a brand-name drug to make it cheaper than the copayment for a competitor drug. The immediate impact of these coupons is to encourage consumers to utilize and become accustomed to more expensive drugs, since consumers would be shielded from the true cost of the drugs as a result of the coupon. The remainder of the cost is still borne by the health plan. The long-term impact is to increase health costs and premiums by allowing

¹ Dafny, Leemore, Christopher Ody, and Matt Schmitt. 2017. "When Discounts Raise Costs: The Effect of Copay Coupons on Generic Utilization." *American Economic Journal: Economic Policy* 2017, 9(2): 91–123.

manufacturers to increase drug prices beyond what would be the product of a truly competitive market by disguising the true cost of drugs. Because manufacturer coupons reduce only the enrollee cost sharing rather than the full price of the drug, manufacturer coupons mask the actual cost of the drug, inducing demand by beneficiaries and prescribers who might otherwise choose a less expensive alternative with lower cost sharing. This decoupling of demand from price distorts the market, undermines plan designs and the effectiveness of formularies, and allows manufacturers to increase drug prices with market impunity. These higher drug costs are ultimately borne by all consumers in the form of higher drug prices, and higher premiums and higher cost sharing on all drugs, including those where there is no offsetting coupon available.

Since the use of prescription drug coupons happen after the point when our member plans or their Pharmacy Benefit Management (PBM) contractors can track its use, it is difficult to quantify its use in the state. While HPC's proposed study will be the first attempt at a study on the cost impact of permitting the use of coupons in Massachusetts, there have been some recent studies that have examined the issue at a national level. A study of retail pharmacy data by IQVIA, a global health data company utilizing 600 million non-identified patient records across hundreds of markets, found that coupons for commercially insured patients have reached an all-time high of \$13 billion in 2018, more than double the \$6 billion coupon offset in 2014. In addition, of commercially insured patients on branded medications, 19% of them used coupons to reduce their out-of-pocket costs in 2018.²

Prior to the enactment of the coupon law, Massachusetts ranked among the top in terms of use of generic drugs due to our generic substitution laws. In the same study of coupons mentioned above, for brand-name drugs for which generics were available found the coupons reduced the rate of generic substitution. The brand-name drugs with coupon offers had 12%-13% annual price growth, compared to 7%-8% price growth for those without coupons.³ While the Massachusetts law does not allow for the use of coupons when there is a generic equivalent, there is still a downstream impact on generics if a coupon is available prior to the product coming off patent. Consumers that have already grown accustomed to a drug may be hesitant to switch even when presented with the choice of a lower cost generic drug. The HPC analysis should closely examine the impact of drug coupons on generic utilization in Massachusetts since the law took effect.

Coupons are Temporary and Provide Dubious Benefits to Consumers

While a drug coupon reduces the amount, an insured consumer has to pay out of pocket for a drug, it does not reduce the price a payer would pay for the drug. The long-term effect of drug coupons is to increase drug prices and premiums by making consumers insensitive to drug prices, thereby allowing manufacturers to increase the list price of drugs without losing market share. This market distortion results in higher drug prices that negatively impacts all consumers. These higher drug prices are most immediately felt by consumers who are uninsured, and therefore pay the full, undiscounted list price of the drug. However, even consumers who are insured are negatively impacted. First, their cost sharing for all drugs increases due to higher

² IQVIA Institute for Human Data Science, "Medicines Use and Spending in the U.S: A Review of 2018 and Outlook to 2023," May 2019, p. 32;

³ Dafny, Leemore, Christopher Ody, and Matt Schmitt. 2017. "When Discounts Raise Costs: The Effect of Copay Coupons on Generic Utilization." *American Economic Journal: Economic Policy* 2017, 9(2): 91–123.

overall drug prices, and second, their premiums increase as health plan drug costs go up because of higher drug prices and the fact that health plans do not share the benefit of the manufacturer coupons. Additionally, while coupons may temporarily alleviate the cost impact of higher drug prices for a segment of enrollees, they are not available to most enrollees, such as those in Medicare and Medicaid. During the listening session, Commissioner Cutler asked stakeholders to consider a policy whereby manufacturers issuing coupons to consumers would also be required to provide further discounts to the payer to offset the costs associated with the higher priced drug. As we stated in response to Commissioner Cutler's policy proposal, MAHP is willing to come to the table to consider a variety of proposals that seek to address the high cost of prescription drugs and ensure access.

Finally, as discussed, any financial benefit consumers may experience from a coupon is temporary. Once the coupon expires, the consumer must bear the full cost (or cost sharing under their health plan) of the drug, which may then make the drug unaffordable for them. Coupons benefit drug companies because they help them make a sale that they would not have made otherwise. Consumers who successfully try a name brand drug will tend to continue with the same drug; however, without additional rebates or coupons, the consumer must now pay higher copays for the name brand drug instead of switching to the generic. If coupons are truly about helping to ensure access to medications, drug manufacturers should provide them in perpetuity and without expiration dates.

Additional Research Questions for HPC

In addition to the public listening session and written comments from stakeholders, we also encourage the use of other data sources to help understand the impact of drug coupons. This includes but is not limited to data from All-Payer Claims Database, Medicare Part D prescription data, data from private-sector vendors that collect prescription data, and academic literature. In addition, we recommend you consider these additional questions that we believe could help understand the impact of drug coupons.

- Utilization of generics in Massachusetts pre-2012, and utilization of generics after the coupon law was enacted. What impact did the law have on generic utilization in the state?
- Was there a rise in utilization of brand-name drugs post-2012 as compared to pre-2012?
- Were there specific brand name drugs that saw higher utilization during this time and were coupons for those drugs available to consumers?
- Were there particular types of drugs that were subject to drug coupons?
- Were there lower cost alternatives to those drugs either on the market or emerging?
- Did manufacturers issue coupons when a new drug was released or when a generic version of the drug was about to enter the market?
- Duration of coupons for consumers – are coupons available for the period the consumer is taking the drug?

We appreciate the opportunity to provide comments on the drug coupon study and look forward to continued conversations with you and your staff as the Commission works towards completing the legislatively mandated study. If you have any questions or require any additional information, please do not hesitate to contact me at 617-338-2244 x103

Sincerely,

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cc: Stuart Altman, Chairman Health Policy Commission
David Seltz, Executive Director Health Policy Commission
Louis Johnson, General Counsel Health Policy Commission