

TESTIMONY
PRESCRIPTION DRUG TRANSPARENCY
Harrisburg, PA

House Insurance Committee

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Thank you for receiving this testimony on prescription drug price transparency. The Pennsylvania Association of Health Underwriters welcomes this public dialogue and hopes that the outcome will be of benefit to the health consumer. I will make some general observations about pricing and consumerism and then key into House Bill 161 with specific comments.

Why do health insurance and employee benefits brokers have a position on this issue?

Insurance agents and brokers who are in the health insurance and employee benefits market are in a tough spot. Their customers and clients look to them to identify the plans that are right for them, which provide needed coverage at an affordable price with the most suitable network and most appropriate formulary. Consumer and employer education is a critical part of what brokers do in walking their customers through the maze.

Prescription drugs remain an enigma far beyond the reach of House Bill 161 and I hope the House Insurance Committee will at some time expand the scope to include other issues connected with helping consumers to better understand how they can be educated consumers.

I know this is a conversation for another day but if there is to be transparency in pricing for consumers, it should be formatted in such a way that the consumer will understand enough about it to make a rational consumer choice. When one talks about consumerism and health care, there are numerous moving parts and all facets of the health industry, care providers, consumers, and insurance agents could all do a better job in encouraging real consumer interest in keeping drug prices down.

And of course, no amount of consumerism will protect a person from a manufacturer's decision to increase the price of a monopoly product by 5,000%. But I am getting ahead of myself and ahead of what House Bill 161 seeks to do. **I appreciate the thought behind this bill and hope it can lead to greater transparency.**

House Bill 161

Noteworthy is the fact that HB 161 does not cover all prescription drugs. Thresholds are high: an average wholesale price of \$5,000 or more annually; average wholesale price of \$5,000 per course of treatment; an average wholesale price that has increased by 50% or more over the past five years; an average wholesale price that has increased 25% or more over the past twelve months.

What this means is that prices in line with medical cost inflation do not trigger this legislation. It does address sudden spikes in drug prices such as Epi-pen and it most certainly includes high-end cancer-fighting drugs.

The fact that House Bill 161 focuses on only the highest or most sudden price increases rebuts the argument that compliance with the law would be an unnecessary burden on drug manufacturers. It allows market pricing latitude for drug companies except where high pricing triggers provisions of this act.

Secondly, it sets forth a regulatory framework to review these higher than normal costs of prescription drugs. There is nothing truly radical about this bill. After all, health insurance company rate increases are reviewed by the PA Insurance Department per Act 134.

Areas to Strengthen in House Bill 161

In order for legislation to be fully implemented, the Insurance Department must have the resources to do its job. House Bill 161 does not provide these tools. How many staff people would be necessary with what budget? Despite passing of Act 46 in 2013 which insulated the Insurance Department from the normal General Fund State Budget debate, the Department continues to function without its full complement of staff. Bureaus within the Department are still stretched thin. Even if this transparency regulation was out-sourced, where would that money come from?

These resources can be found by increasing the proportion of the Insurance Regulation and Oversight Fund that can be used for general governmental operations of the Insurance Department. According to Governor Wolf's FY 2016-17 State Budget, the Insurance Department had \$24.85 million for general government operations. The Insurance Regulation and Oversight Fund had an estimated balance of \$38.255 million. In order to make House Bill 161 a reality, the General Assembly may wish to look at this Fund to support the goal of drug price transparency oversight.

Another workability argument is how the information might become visible to the public. Currently, some types of rate filings for insurers such as long-term care insurance are posted in the PA Bulletin. This is an excellent publication but who in the general public even knows about the PA Bulletin? The other way to find information is within the Insurance Department website. How do you get there from here?

www.insurance.pa.gov

Home page has Consumer, Companies, Coverage.

Let's try Coverage (9 headings):

Let's try Health.

In Health, there are excellent resources on how health insurance works but no rate information

Going back to Consumers (10 headings), there are topics like how to choose a company and how to find an insurance professional. There is one on ACA rate filings.

The last is Companies, under which I must go through 'Product and Rate Information to get to Submission Checklists and Product Requirements and finally to Accident and Health where I can look for a particular company or specific filing.

In implementing House Bill 161, if consumer awareness is the goal, there would have to be an easy way to access the information.

Transparency without access defeats the purpose.

Again, I thank the House Insurance Committee for conducting this hearing and I thank Chairman DeLuca for sponsoring House Bill 161.
