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Michigan Association of Health Plans

Bill Summary

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HOUSE BILL 4015: INSULIN COPAY CAP MANDATE

MAHP POSITION: **OPPOSED**

SUMMARY OF HOUSE BILL 4015

House Bill 4015 mandates that health insurance providers limit a customer's out-of-pocket copay to no greater than $50 per month for each insulin prescription drug covered. The new state mandate on health insurance providers would be effective 90 days after the bill is signed into law.

BACKGROUND ON PRESCRIPTION DRUG COSTS & INSULIN

Three drug manufacturers control most of the insulin market, keeping prices high. These drug companies have raised the pricing for insulin by more than 600% over the past two decades [1] despite only a marginal increase in insulin use. Manufacturer drug product patents and patent extensions significantly contribute to the high price of insulin. Lantus, manufactured by Sanofi, filed 74 different patent applications since the drug was approved in 2000, delaying a biosimilar entry and keeping costs high. [2] Insulin & Epilepsy drugs have increased by staggering margins over the past few years, forcing the Michigan Attorney General to take action against unsubstantiated insulin drug prices.

According to the US Department of Health and Human Services:

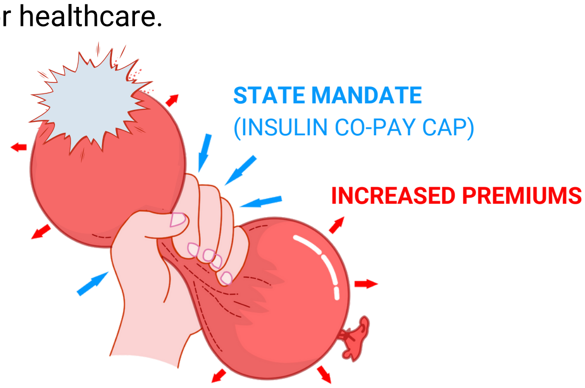
Americans pay higher prices for prescription drugs than in **any other country.**

Prescription drugs are **more than 2.5 times higher** than in other similar high-income nations.

This spending is driven by high-cost brand-name drugs, for which manufacturers freely set prices.

For years, policymakers have attempted to control prescription drug costs by imposing customer cost-sharing caps, reducing utilization controls, and mandating coverage of certain prescription drugs on health plans. These efforts have done nothing to stop the ongoing skyrocketing costs of prescription drugs. Instead, these changes have increased the premiums that customers and employers pay for healthcare.

Employers and individuals who purchase health insurance are paying the price for state health insurance mandates. Costs associated with mandated benefit coverages have a price that is passed on to purchasers. Even mandates with the best intentions to save customers money, such as an insulin co-pay cap, result in increased premiums. Costs associated with state mandates are a zero-sum game that has inflated health care costs to nearly a popping point.



[1] https://www.npr.org/2022/09/12/1122311443/insulin-costs-increased-600-over-the-last-20-years-states-aim-to-curb-the price#:~:text=The%20price%20of%20insulin%20remains,So%20who's%20helping%3F
[2] http://www.i-mak.org/wp-content/uploads/2018/10/I-MAK-Lantus-Report-2018-10-30F.pdf

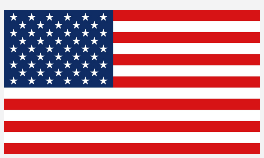
ARGUMENTS AGAINST A COPAY CAP MANDATE

INSULIN PRICES WILL CONTINUE TO RISE

Reducing out-of-pocket costs does nothing to stop the abusive increases in insulin drug pricing. Unlike other counties, the United States does not regulate or negotiate the price of prescription drugs. Drug manufacturers freely set drug pricing without government price control or regulation. Insulin drug costs have far outpaced the Consumer Price Index by 150% over the last decade, even after state mandates like a co-pay cap.

U.S. INSULIN PRICES ARE CONSIDERABLY HIGHER THAN NEIGHBORING CANADA.

Cost of a month's supply of Humalog:



1996: $21
2023: $300

2023: $35

THIS MANDATE WILL NOT AFFECT MOST CUSTOMERS

This legislation will not benefit all patients using insulin, **only a subset of individuals** enrolled in healthcare regulated by the state of Michigan. Commercially self-insured employers who provide healthcare to their employees (ERISA) represent nearly 60% of the market and are not subject to this state mandate.

WHO REGULATES WHICH MARKET(S)?

STATE LAWS & REGULATIONS	Market	Lives	FEDERAL LAWS & REGULATIONS
✓	Medicaid	**2.5 million** lives	✓
✗	Medicare	**2 million** lives	✓
✓	Employer Small Group	**.5 million** lives	✓
✓	Employer Large Group	**1.3 million** lives	✓
✗	Employer Self-Insured Group	**3.4 million** lives	✓
✓	Individual Exchange	**.3 million** lives	✓

THIS MANDATE HELPS DRUG MANUFACTURERS

Big Pharma supports and advocates for co-pays caps across the county because it doesn't lower the acquisition costs of insulin and increases customers' access to their over-priced unregulated drugs. Drug companies have successfully worked with prescribing physician groups to scale back utilization controls put in place by health plans to control healthcare costs. Meanwhile, these policy changes are raising healthcare costs and impacting premiums.

CO-PAY CAP MANDATES ESCALATE HEALTH CARE COSTS

The Kentucky Department of Insurance found that co-pay caps would **increase premiums** by roughly **$150 per year.**

The state of Washington, through independent analysis, found that co-pay caps **increase insurance costs** by nearly **$1 BILLION over five years**.

OTHER ALTERNATIVES TO LOWER INSULIN COSTS

*The following policy reforms are **better policy alternatives** that will **lower the costs of prescription drugs** like insulin.*

INSULIN ASSISTANCE

Establishing a state-run insulin assistance program with a nominal copay, like MN, would aid more individuals. Insulin manufacturers fund the Minnesota program.

COMPETITION

The State of Michigan previously manufactured biologic vaccines before the sale of the Lansing vaccine lab in 1998 to Bioport Corporation. It is recommended that if Michigan creates a state-owned or partnership manufacturing facility, the state retails the intellectual property rights to ensure Michigan retains the ability to control insulin pricing. This will eliminate egregious and unnecessary increases, as is the current business practice by large pharmaceutical manufacturers. The state could also entice drug manufacturers to Michigan that are willing to manufacture and sell more affordable insulin.

AFFORDABILITY REVIEW BOARD

Establish a prescription drug affordability review board to assess drug affordability and set rates for prescription drugs to bring savings to all patients, not just those utilizing insulin therapy.[3] Health plans must file and seek approval for their premium rates with state and federal regulatory entities each year; why not drug manufacturers? The creation of a state affordability review board would allow states to review and set rates for certain high-cost prescription drugs.

ACCOUNTABILITY

Enact legislation that fines pharmaceutical manufacturers for price gouging or increases that exceed a state threshold.[4]

IMPORTATION

Allow for the importing of prescription drugs at a lower cost and cast a light on why other countries that better regulate drug manufacturers have lower prescription drug costs.

LIMIT MONOPOLY STATUS OF NEW DRUGS

Call on Congress to change federal prescription drug patent timeframes. New drugs in the U.S. are typically granted monopoly periods that usually last up to 20 years. During this period, drug companies tend to raise list prices each year, which can lead to higher out-of-pocket patient costs.

EARLY WARNING

Require drug manufacturers to warn early about price increases on prescription drugs. Doing so would allow health plans, employers, and the state to factor in and prepare for those increases that would go a long way to at least provide some level of accountability.

INTERNATIONAL REFERENCE RATES

Allow state regulators to establish international reference rates for the 250 most costly drugs in the state and prohibit state entities, health plans, or employers from purchasing referenced drugs for a cost higher than the referenced rate.

INFLATIONARY CAPS ON DRUG PRICES

Limit specific drug prices to no greater than inflationary increases.

TRANSPARENCY

Force drug manufacturers to provide transparency reports on drug pricing in Michigan.

[3] https://www.billtrack50.com/BillDetail/1061500
[4] https://www.pewtrusts.org/en/research-and-analysis/fact-sheets/2018/07/a-tax-on-drug-price-increases-can-offset-costs