

TO: The Honorable Mary Pilcher-Cook, Chair
Senate Public Health and Welfare Committee

FROM: William W. Sneed, Legislative Counsel
America's Health Insurance Plans

SUBJECT: S.B. 341

DATE: January 27, 2016

Mr. Chairman, Members of the Committee: My name is Bill Sneed and I am Legislative Counsel for America's Health Insurance Plans ("AHIP"). AHIP is the national trade association representing the health insurance industry. AHIP members provide health and supplemental benefits to more than 200 million Americans through employer-sponsored coverage, the individual and small group insurance markets, and public programs such as Medicare and Medicaid. Members offer a broad range of health insurance products in the commercial marketplace and have also demonstrated a strong commitment to participation in public programs throughout the country. Please accept this memorandum as my client's support of S.B. 341.

Prescription drugs are an important part of medical treatment. Every health insurance policy must include a comprehensive "essential health benefits" package covering ten categories of services, including prescription drug coverage. Health plans have arranged various utilization protocols and methods to assist in controlling health care costs and ensuring patient safety. One of those important methods is using the "Step Therapy" for prescription drugs.

What is Step Therapy?

- A step therapy program is an approach to providing prescription drug coverage by beginning drug therapy for a medical condition with the most cost-effective and safest drug before progressing to other more costly or risky therapy. Step therapy programs are often developed using U.S. Food and Drug Administration (FDA) guidelines, clinical evidence and research.
 - The purpose of step therapy is to ensure patients are taking appropriate and cost-effective medications.

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- Nearly 60% of commercial payers reported having one or more step-therapy programs in 2010,¹ as well as many state Medicaid programs and Medicare Part D.

Restrictions on Step Therapy Increase Health Care Costs to Consumers and Small Businesses

- According to recent National Health Expenditure Data, spending on prescription drugs in 2009 increased 5.9% to reach a total of nearly \$250 billion.² The Congressional Budget Office has indicated that, in the absence of common utilization techniques, premiums for plans would be 5 to 10% greater than they currently are.³
- Research regularly indicates that, without adequate cost containment measures, prescription drug costs drastically increase, especially for treatments still under patent (“brand” medications). Limiting the ability of health plans to promote alternative treatments to higher risk and potentially dangerous, addictive medications fails to address the unsustainable increases in health care costs and has a serious potential to harm.
- Such increases in the cost of prescription drug coverage would dramatically impact the ability of many individuals to obtain affordable health care coverage, and threatens the ability of small employers to provide coverage for their employees.

Restrictions on Step Therapy Can be Detrimental to Patient Safety

- Step therapy encourages physicians and patients to undertake a more evidence-based measured approach to treatment that is tailored to the individual by gauging a patient’s response to less harmful medications before graduating to the more potent and high-risk drugs.

¹ Motheral, Brenda R. RPh, MBA, PhD, “Pharmaceutical Step-Therapy Interventions: A Critical Review of the Literature”, 2011 Journal of Managed Care Pharmacy. <http://www.amcp.org/data/jmcp/143-155.pdf>.

² US Department of Health and Human Services Centers for Medicare & Medicaid Services, “National Health Expenditure Data”, 2011. Available online at: https://www.cms.gov/nationalhealthexpenddata/02_nationalhealthaccountshistorical.asp (last accessed April 15, 2011).

³ Congress of the United States Congressional Budget Office, “Key Issues in Analyzing Major Health Insurance Proposals,” 2008. Available online at <http://www.cbo.gov/sites/default/files/cbofiles/ftpdocs/99xx/doc9924/12-18-keyissues.pdf> (last accessed February 2013).

- For potentially addictive and abused drugs, health plans implement step therapy protocols in their pharmacy management as a way to maximize treatment and disease management while reducing the risks associated with overmedication, prescription drug abuse and addiction.
- Pain medications are the most abused class of prescription drugs today. In fact, a new report in April 2011, titled "Epidemic: Responding to America's Prescription Drug Abuse Crisis." The report highlights increases in drug abuse, particularly aimed at pain medications, and focuses on additional education, monitoring and enforcement strategies to address the epidemic. States throughout the country are taking steps to control the proliferation of potentially dangerous drugs, and restrictions on step therapy run counter to these efforts.

Based on the above, my client respectfully request that the committee act favorably and pass S.B. 341.

Thank you.

Respectfully submitted,



William W. Sneed

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