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January 25, 2023

Representative Karen Karls
North Dakota State Capitol
2112 Senate Drive
Bismarck, ND 58501-1978

Re: HB 1413 Drug Co-Pay Coupons - Opposed

Dear Representative Karls:

I am writing today to convey Medica's opposition to House Bill 1413 mandating insurers include amounts not paid by our members in drug coverage accumulators.

Medica is an independent and nonprofit health care organization with approximately 1.5 million members in twelve states, and has offered individual health insurance coverage in the state of North Dakota since the early 1990's. Medica's mission is to be the trusted health plan of choice for our customers, members, partners, and our employees.

Background on this issue is important in order to understand my organization's concern with HB 1413. First and foremost, it is important to understand that a drug's market share, and therefore revenue for the pharmaceutical company, is driven in large part by the amount consumers pay out of pocket for the product. For example, if a drug is placed on the "preferred brand" tier on a formulary (lower cost-sharing), prescribers will more likely drive more patients to the drug and patients will more likely request the drug because it costs less. If a drug is off formulary or in a less desirable formulary tier (higher cost-sharing), there will likely be less demand for the drug and, therefore, it will generate less revenue for the pharmaceutical company.

In many classes of drugs, brand name drugs compete with each other for placement on a pharmacy benefit manager's (PBM's) formulary and pharmaceutical companies compete to have the lowest cost-sharing applied to their products. If a pharmaceutical company has a bad outcome in their negotiations with a PBM and their drug is placed in a less desirable tier (higher patient cost-sharing), pharmaceutical companies use drug co-pay coupons to try to keep or grow their market share. Pharmaceutical companies give co-pay coupons to patients in order to incent patients to remain on the company's drug and not switch to their competitor's drug with the lower out-of-pocket cost. It is a defensive tool used by pharmaceutical companies to retain market share and revenue.

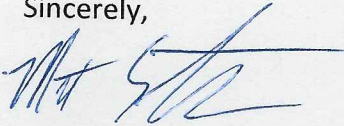
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Medica does not recognize drug co-pay coupons in our members' accumulators for specialty drugs because it is a tool pharmaceutical companies use to avoid and circumvent competition. Our organization has sympathy for the patients and pharmacies caught in the middle of this pharmaceutical company strategy to drive revenue. At the same time, drug co-pay coupons were not the invention of insurers. My organization is simply responding to actors in our health care system that are attempting to rewrite the rules of competition and pull patients into the middle of their scheme.

I respectfully request the North Dakota Legislature not enact HB 2678 this year in order to maximize competition among pharmaceutical companies and discourage pharmaceutical companies from raising drug prices to pay for these co-pay coupons. Thank you for your consideration and please contact me if you would like to discuss this issue further.

Sincerely,



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