

**Testimony in Support of MA S.477 (Petruccelli) re: Specialty Tiers in Insurance Plans
Joint Committee on Financial Services
Public Hearing – October 16, 2013**

Chairmen Petruccelli and Costello, and Members of the Committee:

On behalf of the Leukemia & Lymphoma Society and the blood cancer patients we serve throughout the state of Massachusetts, we thank you for the opportunity to submit written testimony on Senate Bill 477. Sponsored by Chairman Petruccelli, this important bill would cap patient cost-sharing amounts for “specialty tier” drug coverage.

Under many private insurance plans, patients with cancer face extremely high out-of-pocket costs because their prescribed medication(s) is covered under the specialty tier of their insurers’ drug formularies. Specialty tiers allow plans to impose a high coinsurance on expensive drugs, in lieu of a set co-payment. In some cases, a coinsurance can run into the thousands of dollars each month, exposing the patient to a significant financial hardship and, in some cases, an insurmountable barrier to care.

The adverse effects of such high cost-sharing are not limited to patient finances; these costs have also been shown to discourage adherence to treatment.¹ In fact, in a recent study, patients facing high cost-sharing for their medications were found to forgo some more expensive therapies altogether or to discontinue treatments. Unfortunately, poor adherence can lead to poor health outcomes and to an increase in longer-term costs associated with treating disease progression and/or other complications. In fact, the New England Health Institute recently estimated that medication non-adherence results in up to \$290 billion annually in increased medical costs in the U.S.² Clearly, this works against the cost-containment goals that insurers cite as the rationale for their specialty tiers pricing structures.

It’s important to note that the impact of specialty tiers can extend beyond the drugs used to treat cancer, as the specialty tier pricing structure is also applied to supportive care medications. These medications play a critical role in cancer care—for example, they help to manage side effects related to treatment toxicity—and thus require the same cost-sharing safeguards as treatment medications.

If passed, S.477 would help address this issue by limiting a patient’s total out-of-pocket drug costs to an amount specified under IRS code, which for 2013 was \$1,250 for an individual and \$2,500 for a family.³ This reasonable cap would ensure that people living with a chronic disease and other serious conditions can afford and comply with their treatment plans.

Fortunately, this bill is unlikely to have a significant impact on premiums for the average commercial insurance plan, as specialty drug spending represents a small percent of total health plan spending⁴ and therefore can be effectively diluted when spread across enrollees. Vermont, for example, enacted a cap last year that functions in the same manner as the one proposed in S.477. Following passage of that bill, one insurer noted in rate-filing documents that the new cap would result in a \$0.32 and \$0.74 per member per month premium increase for small and large group plans, respectively.⁵ Indeed, this is

a negligible change, well worth the access improvement it'd provide for the patient fighting a life-threatening disease or other serious condition.

In closing: the data is clear. Specialty tiers pricing structures pose the sort of financial barrier that diminishes adherence and, in turn, can lead to increases in healthcare costs. We urge the committee to support this legislation, as it offers reasonable solutions to this issue.

With questions, please contact:

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¹ Neumann, et al. "Cancer Therapy Costs Influence Treatment: A National Survey of Oncologists." *Health Affairs*. January 2010. 29:1

² New England Health Institute. "Poor Medication Adherence costs \$290 billion a year." 2009. See: <http://mobihealthnews.com/3901/>

³ 26 CFR 601.602: Tax Forms and Instructions.

⁴ Study conducted in 2013 by Avalere Health on behalf of the Coalition for Accessible Treatments, a group of patient organizations, medical associations, and others supporting specialty tiers reforms at the federal level.

⁵ MVP 2012 Q4 rate filings. Publically available through the website for the CT Department of Financial Regulation.