

**Testimony in Support of MD SB874 (Klausmeier)  
Health Insurance – Specialty Drugs  
Senate Finance Committee – February 19, 2014**

Chairman Middleton and Members of the Committee:

On behalf of the Leukemia & Lymphoma Society and the blood cancer patients we serve throughout the state of Maryland, we thank you for the opportunity to submit written testimony on Senate Bill 874. Sponsored by Senator Klausmeier, 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.

Medical expenses are contributing factors in more than 60% of personal bankruptcy filings.<sup>i</sup> 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.<sup>ii</sup> 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. A study from 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.<sup>iii</sup> Clearly, this works against the cost-containment goals that insurers cite as the rationale for their specialty tiers pricing structures.

It is 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, SB874 would help address this issue by limiting a patient’s total out-of-pocket drug costs to \$150 for a 30-day supply of the specialty drug. 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 spending<sup>iv</sup> 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.<sup>v</sup> Indeed, this is a negligible

change, well worth the access improvement it would 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 hope our patients do not have to choose between their mortgage or their medical bill; we urge the committee to support this legislation, as it offers reasonable solutions to this issue.

With questions, please contact:

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<sup>i</sup> David U. Himmelstein, MD, Deborah Thorne, PhD, Elizabeth Warren, JD, Steffie Woolhandler, MD, MPH. "Medical Bankruptcy in the United States, 2007: Results of a National Study." *American Journal of Medicine*, 2009.

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

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

<sup>iv</sup> 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.

<sup>v</sup> MVP 2012 Q4 rate filings. Publically available through the website for the CT Department of Financial Regulation.