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October 13, 2023

RE: House Budget Committee Health Care Task Force Request for Information

Submitted electronically via hbcr.health@mail.house.gov

To the Members of the Health Care Task Force:

The Coalition of State Rheumatology Organizations (CSRO) is comprised of over 40 state and regional professional rheumatology societies whose mission is to advocate for excellence in the field of rheumatology, ensuring access to the highest quality of care for the management of rheumatologic and musculoskeletal disease. Our coalition serves the practicing rheumatologist.

Thank you for your request for feedback related to healthcare spending and solutions. We will limit our comments to the Congressional Budget Office's (CBO) modeling capabilities for certain healthcare policies, specifically its modeling of policies related to the pharmacy benefit manager (PBM) industry.

Successful management of rheumatologic disease often relies on expensive specialty medications. As a result, rheumatology patients were among the first to experience the harms from the business practices of the insurer/PBM industry: nonsensical formulary construction, nonmedical switching, and harmful utilization management protocols. A key driver underlying these harmful practices is this simple perverse incentive: the higher a drug's list price, the greater the income potential for the PBM.

In recent years, Congress has increasingly focused on addressing these issues through reform of PBM industry practices. Although some PBM-related reforms generate savings, CBO assumes that certain other reforms would increase premiums and, thereby, federal government spending on premium subsidization. It is unclear what that assumption is based on other than the PBM industry's claims to that effect – because experience has disproven the assumption. For example, many states have now enacted reforms requiring cost-sharing assistance to count toward patients' deductibles or out-of-pocket maximums. Last year, research by the Global Healthy Living Foundation found that there had been "no statistically significant change in the rates of health insurance premium increases" following the enactment of such laws. In fact, the rates of upward and downward fluctuations remained similar across all states.

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The supposed premium impact also exists for "pass-through" policies, whereby legislation would require PBMs and insurers to pass through to the patient (not the payer) some or all of the negotiated price concessions in the form of lower out-of-pocket costs. In the past, such policies have generated CBO scores, again usually due to premium impacts. As noted above, threats of premium increases by the PBM/insurance industry should not be taken at face value, nor should they be the only reference point: CBO should assess not only the impact on federal subsidization of premiums, but also the impact on beneficiary cost-sharing at the point-of-sale. In November 2017, the Centers for Medicare and Medicaid Services (CMS) published a request for information (RFI) related to a requirement for payers in Medicare Part D to include at least a minimum percentage of manufacturer rebates and all pharmacy price concessions in a drug's negotiated price at the point of sale. The agency modeled the financial impact of requiring various levels of pass-through of manufacturer rebates: 33%, 66%, 90%, and 100%. At the 33% level, beneficiaries would save $19.6 billion dollars in costs over ten years. With a 100% pass-through, beneficiaries would save $56.9 billion overall over ten years. While a pass-through policy would cause moderate premium increases, *these increases were more than offset by the reductions in cost-sharing at every modeled percentage level*.

Perhaps more foundationally, the claim that Congress cannot enact a pass-through because of the resulting premium impact means that we have a health insurance system in which the sick subsidize the healthy. Currently, Medicare beneficiaries with serious chronic illnesses who are in need of expensive medications provide revenue that is used to slightly reduce premiums for all beneficiaries regardless of health status. This is the exact opposite of the concept of health insurance. We urge Congress to explore reforms whereby CBO could fully incorporate the impacts on beneficiaries' out-of-pocket costs to assess the impacts on overall spending on the program resulting from PBM-related reforms.

On behalf of CSRO and the patients we serve, thank you for your leadership on this issue. Please do not hesitate to reach out to me if you have questions or need additional information: madelainefeldman@gmail.com.

Sincerely,

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