



May 18, 2018

Hon. Harriette Chandler
Senate President
State House, Room 320
Boston, MA 02133

Hon. Karen E. Spilka, Chair
Senate Committee on Ways and Means
State House, Room 213
Boston, MA 02133

Re: Preserve Sunset on Prescription Drug Marketing Coupons and Rebates

Dear Madam President and Chairwoman Spilka:

On behalf of a coalition of consumer groups, health insurers, and purchasers, we urge you to reject amendments 422 and 488 and preserve the existing statutory sunset of July 1, 2019, on authorization for prescription drug marketing coupons and rebates.

We continue to have serious concerns that drug coupons and rebates increase the cost of care overall, even while providing brief discounts to some consumers. When the Legislature passed language permitting pharmaceutical manufacturers to offer coupons and rebates to consumers for the out-of-pocket portion of their prescription medication costs in 2012, many were concerned about the potential negative impacts of this policy. Through such coupons, drug companies incentivize the purchase of more expensive brand drugs, even though a less expensive and equally effective alternative may be available. After those savings expire, the consumer is left to repurchase this more expensive drug at the full cost share. While some consumers temporarily pay lower co-pays, the long-term costs will increase for all consumers as public and private health plans pay the increased costs for these expensive brand-name drugs. While the high cost of prescription drugs continues to be a problem for both consumers and payers, undermining cost-effective prescribing through drug coupons is not the solution.

Drug coupons increase the use of newer and more expensive prescription drugs, resulting in a profound increase in the overall cost of health care for public and private employers, including the state's Group Insurance Commission (GIC). For these same reasons, the federal government bans prescription drug coupons for Medicare and Medicaid patients.

Drug makers spend \$4 billion per year on coupons to promote an estimated \$16-\$24 billion in additional sales of expensive brand name drugs. The drug coupon program is designed to build loyalty to a particular brand name drug that continues after the coupons expire. A 2017 study from the *American Economic Journal: Economic Policy* examined 85 brand-name drugs that faced generic competition in 2007 to 2013, of which 23 had applicable drug coupons. The study concluded drug coupons reduced the use of the cheaper generics and resulted in an increase in prices for the more expensive brand-name drugs. It also found that coupons increased retail spending by 1.2% to 4.6% or about \$30M to \$120M, as measured in 2010 dollars.

Massachusetts leads the nation in the cost-effective use of generic drugs, with correspondingly high prescription drug adherence rates that translate into improved health outcomes and longer-term savings for both consumers and the state. Recognizing the value and cost effectiveness of generic drugs and addressing these significant concerns over consumer benefit and cost impact, the Legislature wisely placed a sunset in the original statute of July 1, 2015 (extended to July 1, 2019), and commissioned the now-defunct Division of Health Care Finance and Policy (DHCFP), to conduct a policy impact study. This study was to be completed six months prior to the sunset of the law, giving the Legislature ample time to evaluate its findings before the policy was scheduled to sunset. Unfortunately, the study was never completed, as DHCFP was disbanded as part of Chapter 224 of the Acts of 2012. Since the passage of the law, prescription drug costs for both brand name and generics have increased at a disproportionate and unsustainable rate. The need to responsibly manage those costs has only increased since this policy was enacted. Therefore, we believe it is imperative that the Legislature review the policy impact before determining whether or not to make the provision permanent.

At a time when government, businesses and consumers are focused on improving health care quality, and controlling health care costs, extending the sunset on the prescription drug marketing coupons would undermine our efforts. For these reasons, we urge the Senate to reject these amendments and instead direct the Health Policy Commission to engage in a substantive study of the long-term costs and benefits of drug coupons on the Massachusetts health care market.

Sincerely,



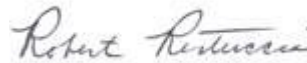
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cc: Hon. Joan Lovely, Vice-Chair, Senate Ways and Means Committee
Hon. Bruce E. Tarr, Minority Leader
Hon. Viriato M. DeMacedo, Ranking Member, Senate Ways and Means Committee