

POLICIES TO HELP PATIENTS PAY LESS FOR THEIR MEDICINES: SHARE THE SAVINGS



Many patients with commercial health insurance continue to pay high out of pocket costs, making it harder for patients to afford their prescriptions — even as the amount insurance companies pay continues to grow more slowly, if at all.



The Problem

Health insurance companies and PBMs often receive sizeable rebates from brand pharmaceutical manufacturers. On average, more than half of spending on brand medicines is retained by health insurers, PBMs, the government and others in the pharmaceutical supply chain. **In 2023, these rebates, discounts and other price concessions totaled \$334 billion.**

At the same time, many patients are being forced to pay more out of pocket for their medicines due to an increase in deductibles and the use of coinsurance. Deductibles require patients to pay in full for their medicines before insurance coverage kicks in. And unlike copays, which are a fixed dollar amount charged per prescription, coinsurance requires patients to pay a percentage of the medicine's price.

Here's what's unfair: When patients are facing deductibles or coinsurance, the amount they must pay is often based on the **full undiscounted list price** of the medicine — even though their insurance company and PBM are only paying the discounted amount they negotiated with the manufacturer.

For example, for a drug with a \$100 list price, a health insurance company or PBM may negotiate a discount or rebate of \$40, for a net cost to them of \$60. But a patient still in her deductible pays the full \$100. A patient with a 25% coinsurance pays \$25 for a medicine with a \$100 list price (.25X100), rather than the \$15 (.25X60) she would pay if the coinsurance was based on the discounted amount being paid by her insurance company. That extra money collected from the patient may go to the health insurance company or the PBM. It does not go to the manufacturer of the medicine.

What's worse is that this situation is unique to health insurance coverage of prescription medicines, and it penalizes patients who need medicines the most. Right now, patients receive the benefit of negotiated discounts when sharing in costs for doctor or hospital visits, but they often do not receive the same benefits for prescription drugs.

The Solution: Share the Savings



States can enact laws that would require health insurance companies and PBMs to share at least part of their negotiated savings with patients at the pharmacy counter. Despite what health insurance companies claim, this will not drastically increase premiums. One study demonstrated that, even if health insurance companies were required to share all the negotiated rebates with patients, **premiums would increase at most 0.6%, while some patients could save nearly \$1,000 each year on their medicine costs.** Fixing this broken part of the system and sharing these savings will give patients immediate relief and help them better afford the medicines they desperately need. State legislation can make sure rebates are shared directly with patients, thus lowering what they must pay at the pharmacy.