

Policies to Help *Patients Pay Less* for their Medicines: *Share the Savings*

Many patients with commercial health insurance are required to share in the cost of their prescription medicines. **The cost to patients is often much higher than the cost to their insurance company – for the same medicine on the same prescription.** That's because health insurance companies and pharmacy benefit managers (PBMs) negotiate significant rebates and discounts on the cost of the medicine and do not share these savings with patients.

The Problem

Health insurance companies and PBMs often receive sizeable rebates from brand pharmaceutical manufacturers. **On average, manufacturers rebate 40 percent of a medicine's list price back to health insurers, PBMs, the government and other entities in the pharmaceutical supply chain.** In 2018, these rebates and discounts totaled \$166 billion.

At the same time, 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 unfair: **When patients are facing their deductible or paying coinsurance, the amount they must pay is often based on the full list price of the medicine** – even if 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 off 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 do not always 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 1%, while patients could save up to \$800 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.