PEHP Health & Benefits

HB 52, HEALTH INSURANCE MODIFICATIONS, (Pierucci,C)

Anticipated Fiscal Impact:

$1,954,726 per year $2.62 per member per month (PMPM)

Summary

The State, like other employers, has created benefit plans that divides the healthcare costs between the plan and the employee. Drug manufacturers often offer copay assistance to reduce the out-of-pocket costs of expensive drugs, particularly specialty drugs, for members. Copay assistance functions just like a check from the drug manufacturer to the pharmacy. The drug manufacturer pays the member's out-of-pocket costs so the member will continue to use their drug.

Because copay assistance functions as an inducement to take a particular drug, and in order to reduce drug costs to the state, PEHP does not count copay assistance toward a member's cost sharing limits, such as their deductible or maximum out-of-pocket.

HB 52 would require health plans to apply copay assistance toward a member's deductible and out-of-pocket maximum. This will impact the State Health Insurance Plan in the following ways:

- The bill would limit PEHP's ability to offset available copay assistance to reduce specialty drug costs for the state at an estimated cost of $1,530,347. The average cost of a specialty drug is over $70,000 a year. Copay assistance can exceed $20,000 a year. This bill would limit how much of that $20,000 would be available to pay for that $70,000 drug.
- It would reduce the amount that members would have to pay out-of-pocket for non-pharmacy costs, shifting to the plan about $377,793. By applying the coupon to the member's out-of-pocket costs, it would replace the member's need to spend their own money and move the member faster along their deductible and maximum out-of-pocket requirements.
- It would increase utilization as members more quickly hit their out-of-pocket maximum by $46,586 for those using drugs on Tier C. Once healthcare becomes free to a member, they likely to spend at least 15% more per year in health care costs.

Of the $1,954,726 in total costs to the State, the drug manufacturers would receive $1,530,347 in benefit, and the members receiving specialty drugs would receive $424,379.

While HB 52 specifically targets copay assistance, the bill would also apply to any "health care service" provided by a medical provider. While the practice of medical providers reimbursing patients for deductibles and out-of-pocket maximum costs is not widespread today, if this bill were to change that practice to allow a hospital to reimburse a patient for out-of-pocket costs, that inducement would result in serious repercussions on the state employee health plan. We have not included any potential costs for other medical providers utilizing this practice outside of copay assistance.

ANTICIPATED FISCAL IMPACT ON EDUCATION AND LOCAL GOVERNMENT ENTITIES - $2.62 per member per month (PMPM)

Pursuant to Utah Code Ann. 31A-22-605.5(2)(b) and (3) – a health insurance mandate shall apply to health coverage offered in the state risk pool, public school districts, charter schools and institutions of higher education.
The same PMPM fiscal impact would be applicable to each of these entities covered by PEHP. PEHP does not cover every public school district, charter school or institution of higher education in the state. Some public entity employees are insured through private insurance carriers. The fiscal effect on the PEHP covered public entities would be:

- State risk pool, excluding state, but including higher education (Weber St, USU Eastern, Snow, Utah Tech, and technical colleges) - $2.62 PMPM x 12,958 members = $407,400 per year
- Public School districts and charter schools - $2.62 PMPM x 32,026 members = $1,006,897 per year
- Local Governments – $2.62 PMPM x 52,164 members = $1,640,036 per year