TAHP
The Texas Association of Health Plans

Texas Association of Health Plans
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March 23, 2023

Dear Chairman Harless and Members of the Select Committee on Health Care Reform,

TAHP opposes HB 2180 because the bill would limit how rebate savings are used to lower costs, resulting in increased premiums and an increase in the overall cost of prescription drug coverage. Furthermore, **this legislation is inconsistent with the House Select Committee on Health Care Reform's interim recommendation: "Consider opportunities to ensure rebates are used *to lower the cost of coverage*."** TAHP encourages amending HB 2180 to follow the Select Committee's recommendation to ensure that all rebate dollars go to lowering the cost of coverage.

TAHP agrees something must be done to lower prescription drug prices and that 100% of rebates should be used to reduce health care costs. However, TAHP believes that employers should have the choice of how to best use the rebate savings, whether it be to lower premiums for all members of the plan, add more generous benefits, or utilize the savings to lower costs at the pharmacy counter. Taking away this flexibility is the wrong approach. Currently, most employers use drug rebates to collectively lower the cost of health insurance for all employees, helping to keep coverage affordable. Point-of-sale rebates, however, significantly increase premiums. They benefit a small number of individuals at the pharmacy counter, usually around 3-5%. Under this approach, only a few patients see their costs go down at the pharmacy counter for one drug, but premiums and out-of-pocket costs will go up for everyone.

Limiting rebate savings to the point of sale mandate increases prescription drug coverage costs overall.

- **An independent fiscal review estimated a point-of-sale rebate bill in California would increase health insurance premiums by $200 million annually.** The review also found that a point of sale rebate mandate would only help 4% of enrollees, but would increase premiums for 100% of enrollees. The California Senate Appropriations Committee refused to advance that bill due to the increased premium cost.

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- The Congressional Budget Office (CBO) estimated that a Medicare point-of-sale rebate mandate would increase premiums by $43 billion (25%) over a decade and federal spending by $137 billion.

Moreover, this practice would reduce Pharma's incentive to lower the prices of their drugs by further masking the costs of high-priced, brand-name drugs.

Employers cover the bulk of premiums for employees—more than 80%. They should be able to choose what to do with rebate savings. In fact, point-of-sale rebate plans already exist today. In 2019 a survey found that one-in-five large employers use point-of-sale rebates in their pharmacy benefit plans and another 40% of employers were considering using POS rebates in the future. For some employers, offering or requiring point-of-sale rebates could be the best option for a patient population; for othersome employers it's not. It should be their choice.

Our ask: We urge you to amend the bill to instead require that the full amount of the rebate go to reduce costs or premiums for the policyholder, which could be either an individual or an employer.

Sincerely,

Jamie Dudensing
CEO
Texas Association of Health Plans