



Kaiser Foundation Health Plan of the Mid-Atlantic States, Inc
2101 East Jefferson Street
Rockville, Maryland 20852

January 20, 2021

The Honorable Delores G. Kelley
Senate Finance Committee
3 East, Miller Senate Office Building
11 Bladen Street
Annapolis, Maryland 21401

RE: SB 290 – Oppose

Dear Chair Kelley and Members of the Committee:

Kaiser Permanente respectfully opposes SB 290, “Health Insurance – Out-of-Pocket Maximums and Cost-Sharing Requirements – Calculation.”

Kaiser Permanente is the largest private integrated health care delivery system in the United States, delivering health care to over 12 million members in eight states and the District of Columbia.¹ Kaiser Permanente of the Mid-Atlantic States, which operates in Maryland, provides and coordinates complete health care services for approximately 775,000 members. In Maryland, we deliver care to over 450,000 members.

This bill requires carriers, when calculating the overall contribution to an out-of-pocket maximum or a cost-sharing requirement, to include any payments made by, or on behalf of, the insured, subscriber, or member.

While this legislation may appear to provide a means to lower health care costs for consumers, it creates unintended consequences that maintain high costs of prescription drugs and increases health insurance premiums. Drug companies use coupons and other mechanisms to pay a consumer’s out-of-pocket costs while, at the same time, charging the health plan the full price of increasingly higher priced drugs. The inflation in costs are reflected to consumers in the form of premium increases. This legislation would exacerbate that dynamic by requiring plans to count those payments toward out-of-pocket maximums or cost-sharing requirements.

Additionally, broadly mandating coupon acceptance interferes with benefit structures designed to promote use of generic medications with low costs. The availability of a coupon may cause physicians and beneficiaries to choose an expensive brand-name drug when a less expensive and equally effective generic or other equally efficacious but lower-priced alternative is available. In some cases, increased use of coupons may increase overall drug costs without demonstrating any

¹ Kaiser Permanente comprises Kaiser Foundation Health Plan, Inc., the nation’s largest not-for-profit health plan, and its health plan subsidiaries outside California and Hawaii; the not-for-profit Kaiser Foundation Hospitals, which operates 39 hospitals and over 650 other clinical facilities; and the Permanente Medical Groups, self-governed physician group practices that exclusively contract with Kaiser Foundation Health Plan and its health plan subsidiaries to meet the health needs of Kaiser Permanente’s members.

improvements on patients' outcomes. When consumers are relieved of financial obligations, manufacturers are relieved of a market constraint on drug prices, which can distort the market and the true costs of drugs. Such coupons can add significant long-term costs to the health care system that may outweigh the short-term benefits of allowing the coupons, and counter-balance issuers' efforts to point enrollees to more cost-effective drugs. Should a patient be unnecessarily started on a brand-name drug, given a suitable generic or other clinically appropriate and economical alternative is available, the patient may be left to bear the cost of the more expensive medication once the coupon is no longer offered.

The General Assembly has taken other innovative steps to address the high cost of prescription drugs – most notably by establishing the nation's first Prescription Drug Affordability Board – and will consider legislation this session to fully fund that Board. Kaiser Permanente presented to the Board this fall about prescription drug pricing and will continue to work closely with them as requested. Further, there are pending mandates from federal regulatory authorities that require carriers to take a similar approach when utilizing coupons that are nearing their implementation date.

Thank you for the opportunity to comment. Please feel free to contact Allison Taylor at Allison.W.Taylor@kp.org or (202) 924-7496 with questions.

Sincerely,

A handwritten signature in blue ink that reads "Wayne D. Wilson". The signature is written in a cursive style with a large, stylized initial "W".

Wayne D. Wilson
Vice President, Government Programs and External Relations
Kaiser Foundation Health Plan of Mid-Atlantic States, Inc.