

February 14, 2012

Jack C. McRae
Senior Vice President

Representative Wes Keller
State Capitol Room 432
Juneau, Alaska 99801

Re: HB 218, Specialty Pharmacy Tiers

Dear Representative Keller,

On behalf of Premera Blue Cross Blue Shield of Alaska, I am writing to you to express our concerns with HB 218, pertaining to specialty pharmacy tiers.

Premera currently provides notification regarding our policy on cost sharing, deductibles or copayment terms applicable to specialty pharmacy to our members 30 days before the terms apply. To date, we've received no complaints about this approach from members: the 30-day advance notice allows members time to meet with their providers to discuss specialty drug prescription options. Members may face cost sharing changes during the year for different reasons, including a formulary change when a generic drug becomes available. Premera notifies impacted members by mail 30 days before such changes that would impact cost sharing. HB 218 includes a shift to a 90-day notification timeframe. This change will inflate costs for specialty drugs and will increase overall healthcare premiums for Alaskans. If implemented, this change could also impact and raise state employee insurance rates.

Premera Blue Cross Blue Shield of Alaska covers over 70,000 members and provides comprehensive coverage to our members, with the majority of our plans including prescription drug coverage. We currently offer a four-tier pharmacy benefit for our members. Drugs are classified into tiers by an independent committee of experts, including doctors, pharmacists, health economists, a bioethicist and a member representative. This committee continuously reviews new and existing drugs, evaluates how well drugs work, and how their cost and effectiveness compare to similar drugs used for the same condition, then compares how much additional benefit a drug provides to the extra cost in comparison to a standard treatment for the same medical condition.

It is important to note the following for specialty pharmacy:

- The Centers for Medicare and Medicaid Services (CMS) classifies specialty pharmacy as pharmaceuticals often used to treat complex, chronic medical conditions. The drugs have fewer generic alternatives and may require increased physician involvement and special storage and handling.
- The average price of specialty drugs can cost \$2,000 - \$2,500 for 30-day supply.
- Expenses for drugs are the fastest growing segment of healthcare, with **expenses for specialty drugs growing at the fastest rate in the drug category (15%-20% per year).**

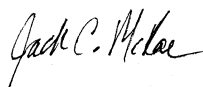
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- Specialty drugs comprise **more than 16% of total pharmaceutical spending** in the U.S. today. If current trends continue, by 2030, specialty pharmacy costs will exceed \$1 trillion/ year and account for as much as 44% of a health plan's total drug expenditures.¹
- Less than 3% of private health plan members use specialty pharmaceuticals; however, these members account for **25-30% of total private payer medical costs.**
- Medicare first created a specialty drug tier or 4th tier to help manage rising drug costs.
- An insurer's use of drug formulary tiering is an effective cost management tool, for the insurer and for its members and allows insurers to continue to provide access to these critical drugs.

We would oppose any prohibition on specialty drug tiering, including a prohibition on imposing higher cost sharing for specialty drugs.

Thank you for your consideration. I would be happy to answer any questions that you may have.

Sincerely,



Jack C. McRae
Senior Vice President

¹ <http://www.ncbi.nlm.nih.gov/pmc/articles/PMC2706163/>