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March 18, 2025

The Honorable Robert Bierman
House Health Finance and Policy Committee, Chair
Minnesota House of Representatives
75 Rev. Martin Luther King Jr. Blvd.
St. Paul, MN 55155

Re: AHIP Opposes HF 1075; Point-of-Sale Rebates

Dear Chair Bierman and Members of the Health Finance and Policy Committee,

On behalf of AHIP, we offer the following comments in opposition to HF 1075, which restricts health plans' ability to pass on savings to consumers through lower premiums and out-of-pocket costs. HF 1075 does nothing to control the soaring prices of prescription drugs but instead requires health plans to forfeit the savings achieved through manufacturer rebates used to benefit all beneficiaries and instead create a system in which Point-Of-Sale (POS) rebates are provided to only a select group of health plan beneficiaries.

Rebates are used to lower costs for all patients. Rebates are offered by manufacturers only when there are two or more competing drugs within the same therapeutic class to incentivize coverage and use of a drug. Rebates are rarely paid for the majority of drugs dispensed – generics and other drugs without therapeutic equivalents. Health plans and PBMs leverage the competition between drugs, when it exists, in negotiating with manufacturers to lower drug costs. Health plans pass on the savings derived from rebates through lower premiums and/or cost sharing for all enrollees, not just the few who obtain a particular drug.

POS rebates only benefit a small number of consumers. HF 1075 eliminates the shared savings from rebates, currently benefited by all enrollees, and instead directs health plans and PBMs to pass those savings only to patients taking specific medications. In the United States, 9 out of 10 prescriptions filled are for generic drugs[1]. This bill will not help those patients, nor those patients who take brand name drugs without therapeutic competition, because rebates are generally not offered for those drugs. The California Health Benefits Review Program (CHBRP) estimates that a similar bill would only impact 3.48% of all prescriptions.[2]

POS rebates will raise the cost of health insurance for all consumers. POS rebate proposals have repeatedly been found to have a high price tag, and AHIP has strong concerns about the impact these requirements will have on insurance costs in Minnesota. When a similar mandate was adopted in the Medicare Part D program, CMS's own actuaries estimated that it would increase premiums by 25% and cost taxpayers between $200 and $400 billion.[3] Even though California found its bill would only impact 3.48% of prescriptions, it still estimated the bill would increase health insurance premiums by $200 million annually. The California Senate Appropriations Committee refused to advance that bill due to the increased premium cost; similarly, Congress has continually disallowed the federal "rebate rule" to take effect.

POS rebates provide a "windfall" to drug manufacturers. Many patients using brand name drugs are already paying little, if any, cost sharing due to coupons and other programs. Under this bill,

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[1] *Generic Drugs*. FDA. Accessed January 13, 2025.

[2] Abbreviated Analysis of CA AB 933 Prescription Drug Cost Sharing. California Health Benefits Review Program. January 4, 2022.

[3] Rebate Rule a Big Pharma Bailout Paid for on The Backs Of American Seniors And Taxpayers. CSRxP. July 24, 2020.

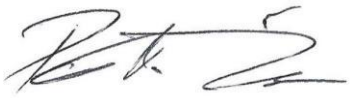
manufacturers will no longer need to provide patient assistance – keeping more money in manufacturers' pockets while increasing drug costs and insurance premiums. In addition to the findings of increased premiums, CMS's actuaries also estimated the proposed rebate rule would lead to a $137 billion windfall for drug manufacturers.

A mandate to provide POS rebates is incredibly difficult to operationalize. In addition to the cost impact of these programs, requiring rebates to be passed on to consumers at the point of sale represents an enormous administrative challenge because rebates are not paid by pharmaceutical manufacturers in real time. Rebates are paid retrospectively to carriers and PBMs based on several factors, including the volume of prescriptions utilized by the plan's members. Manufacturers have no requirement to pay rebates within a defined time, and they are often not paid until long after the plan year ends. At the end of the plan year, carriers and PBMs will need to account for any gaps between the rebates provided to individuals at the point of sale and the amount of rebates actually received by the carrier and PBM; this would likely result in higher premiums or increased cost sharing for all enrollees.

AHIP Recommendation. AHIP urges you not to pass HF 1075 as it restricts health plans' ability to pass on savings to consumers through lower premiums and out-of-pocket costs. The focus on how savings are distributed is a deliberate tactic by drug manufacturers to avoid addressing the more serious issues surrounding the lack of competition, transparency, and accountability in their pricing of prescription drugs.

AHIP stands ready to work together with state policymakers to ensure every patient has access to the high quality, affordable drugs that they need. Please feel free to contact me with any questions or concerns at plobejko@ahip.org. Thank you for your time.

Sincerely,



Patrick Lobejko
Regional Director, State Affairs
AHIP

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