

SENATE BILL REPORT

SB 5697

As of February 16, 2017

Title: An act relating to developing a standardized prescription drug benefit package for individual and small group market offerings.

Brief Description: Developing a standardized prescription drug benefit package for individual and small group market offerings.

Sponsors: Senators Rivers, Cleveland, Conway, Keiser, Bailey and Carlyle.

Brief History:

Committee Activity: Health Care: 2/13/17.

Brief Summary of Bill

- Establishes a process to develop a standardized prescription drug benefit design for the individual and small group markets.

SENATE COMMITTEE ON HEALTH CARE

Staff: Mich'l Needham (786-7442)

Background: Legislation passed in 2016 created the Patient Out-of-Pocket Costs Task Force (Task Force) to explore concerns with prescription drug costs for patients. The Task Force was convened by the Department of Health with a wide range of participants. The Task Force submitted a report summarizing their discussions on December 1, 2016. There was some discussion of benefit designs that could reduce the impact of prescription drug cost sharing, including a review of standardized benefit designs adopted by several other states. For example: California has adopted a standardized model for each metal tier for individual plans sold on the Exchange; Colorado has adopted a requirement that 25 percent of plans on each metal tier in the individual market must follow the standardized benefit design; and Montana requires at least one plan in each metal tier on the individual market follow the standardized benefit design.

Summary of Bill: The bill as referred to committee not considered.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Summary of Bill (Proposed Substitute): The co-chairs of the Joint Select Legislative Committee on Health Care Oversight must select members from the Task Force to participate in a workgroup to develop a recommendation on a standardized prescription benefit design. The participants must include representatives from the following groups: four insurance carriers, two provider groups, four patient groups, two labor groups, small employers, large employers, and two drug manufacturers.

The Office of the Insurance Commissioner (OIC) must retain a neutral consultant or facilitator to convene the workgroup by October 1, 2017. The workgroup must examine the options for designing a standardized prescription drug benefit package for use in the small group and individual markets. The following standardized components must be considered:

- limiting or eliminating coinsurance as a cost-sharing method;
- fixing the copayment amounts for medications;
- limiting deductibles for medications; and
- defining any necessary parameters for the tiers of coverage

The workgroup recommendations must be submitted to OIC and the Health Benefit Exchange by October 1, 2018, and OIC must adopt rules that only reflect the recommendations of the workgroup, ensuring that each carrier offering coverage in the individual and small group markets offer at least one health plan that includes the standardized benefit design, beginning January 1, 2020.

Appropriation: None.

Fiscal Note: Available.

Creates Committee/Commission/Task Force that includes Legislative members: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony on Proposed Substitute : PRO: The out-of-pocket costs task force identified a number of ideas to look into and this option is one of the areas that was suggested. Several states have adopted standardized benefit packages that help consumers have more predictable expenses with a premium instead of drug cost sharing. It provides a choice for consumers. As a family with two children with hemophilia we have huge expenses every January as we need to meet the deductible for each child with their very expensive medications. A standardized design would allow us the choice of when we face the increased impact, every month throughout the year or all at once each January. The workgroup includes patients, carriers, and others that can explore the trade offs with benefit design. A standard design helps make costs more predictable by redistributing the deductible or co-insurance and spreading that cost over time. Colorado only saw an average premium increase of \$20 with the standard design. In Washington, the prescription costs equate to approximately 20 percent of the premium costs. Shifting those costs around the benefit package will have a fairly small impact on the premiums.

CON: Our plans are con on the original bill but this proposed substitute is okay. We are not opposed to a workgroup but we do have concerns that directing the OIC to adopt the workgroup recommendations in rule is an inappropriate delegation of legislative

responsibility. There should be a report back to the Legislature. The benefit design actuarial values make it very difficult to adjust the benefits. Any benefit add for prescription coverage must be a take way somewhere else in the package to maintain the actuarial values.

OTHER: The proposed substitute could be further modified to have the workgroup recommendations come back to the Legislature and then have the OIC adopt rules. The workgroup is ongoing in this bill and perhaps there should be an evaluation of the time period.

Persons Testifying: PRO: Senator Ann Rivers, Prime Sponsor; Erin Dziedzic, American Cancer Society Cancer Action Network & Bleeding Disorder Foundation of Washington; Nicolette Etsell, Bleeding Disorder Foundation of Washington; Kirsten Axelson, Pfizer *participating by phone; Patrick Connor, National Federation of Independent Business.

CON: David Knutson, Association of Washington Healthcare Plans; Zach Snyder, Regence.

OTHER: Lonnie Johns-Brown, OIC.

Persons Signed In To Testify But Not Testifying: No one.