

# Policies to Help *Patients Pay Less* for their Medicines: *Cover Medicines from Day One*



For many patients with commercial health insurance, the amount they pay for their medicines continues to increase, even as the amount insurance companies pay continues to grow more slowly, if at all. Unfortunately, when patients must pay more out of pocket for their medicines, they often fail to fill the medicines their doctors prescribe or ration medicines to make them last longer. This can lead to serious complications and worse health for patients, which could ultimately lead to higher overall health care costs.

## The Problem

Historically, more patients paid a fixed-dollar copay for their medicines or had coinsurance for their medicines, which requires patients to pay a percentage of the medicine's price.

In recent years, however, **the use of deductibles for prescription drug coverage has risen dramatically.** Deductibles require patients to pay in full for their medicines before insurance coverage kicks in, which can cost thousands of dollars. Between 2012 and 2017, the percentage of health insurance plans that employed deductibles for prescription drugs almost doubled from 23% to 52%.

Compounding the challenge, these deductibles are usually structured to reset at the beginning of each calendar year, when Americans face post-holiday financial stress, tax bills and winter utility costs. This burden is further exacerbated by the fact that, while health insurance companies receive substantial discounts from prescription drug manufacturers, **the amount patients subject to a deductible must pay is often based on a drug's list price, not the discounted price being paid by their health insurance company.** For example, for a drug with a \$100 list price, the health insurance company may negotiate a discount or rebate of \$40, for a net cost to them of \$60. But a patient with a deductible pays the full \$100. That \$40 rebate may go to the health insurance company, which has paid nothing on the claim. It does not go to the manufacturer of the medicine.

## The Solution: *Cover Medicines from Day One*



**States can help patients immediately by simply requiring that certain medicines be covered by insurers from day one – without subjecting patients to deductibles.** The Internal Revenue Service recently issued guidance allowing high-deductible health plans to exclude certain drugs, such as those for the treatment of some chronic conditions, from requirements that deductibles be met before those medicines are covered. Because of the federal guidance, states can now require plans to exclude those medicines from the deductible in high-deductible health plans.

States may also choose to require other state-regulated plans to eliminate deductibles for all drugs. While health insurance companies would still have flexibility to offer different plan designs, limiting or eliminating deductibles in this way could help to smooth out patients' expenditures over the calendar year and could provide immediate relief to patients at the pharmacy counter.