United States Senate
SPECIAL COMMITTEE ON AGING
WASHINGTON, DC 20510-6400
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July 31, 2018

John Prince
Chief Executive Officer
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Dear Mr. Prince:

On May 8, 2018, the U.S. Senate Special Committee on Aging held a hearing to examine the rising cost of insulin treatments. Currently, more than one in five health care dollars, and one in three Medicare dollars, are spent on care for people with diabetes. Approximately six million Americans with diabetes use insulin as part of their treatment, and virtually all of those with Type 1 diabetes rely on insulin for survival. Although the earliest formulations of insulin have been available for decades, today some patients are struggling to obtain affordable insulin due to rising costs.

As founder of the Senate Diabetes Caucus, I am troubled by the rising price of insulin. I am seeking to understand how the opaque rebate system contributes to increasing the disparity between list and net prices, putting the price of certain medicines out of reach for some patients on high-deductible health plans, or with insurance with high co-pays, or for those who are uninsured.

In the face of rising costs, reports analyzing insulin prices have noted a growing difference between a product's average list price and the net price received by the manufacturer. For example, *The Wall Street Journal* has reported that while the estimated net price of one insulin product increased by 57 percent between 2007 and 2016, its list price increased by more than 250 percent during the same period.[1] Some reports have attributed this difference to rebates and other concessions paid by manufacturers to pharmacy benefit managers (PBMs) in return for preferred formulary placement. A working group of the American Diabetes Association recently concluded that PBMs have substantial market power, and often exclude from formularies the insulins made by the manufacturer that offers the lowest rebate.[2] Although rebates and discounts paid to PBMs may reduce plan spending on some prescription drugs, those concessions are not meaningful for many patients, including those with significant cost-sharing obligations, and I am concerned that they may actually lead to list price increases. While these and other inducements paid by manufacturers may be intended to promote market access to their products, unexpected

[1] Denise Roland & Peter Loftus, *Insulin Prices Soar While Drugmakers' Share Stays Flat*, WALL ST. J., Oct. 6, 2016, https://www.wsj.com/articles/insulin-prices-soar-while-drugmakers-share-stays-flat-1475876764.
[2] William T. Cefalu, et al., Am. Diabetes Ass'n, *Insulin Access and Affordability Working Group: Conclusions and Recommendations*, 41 DIABETES CARE 1299, 1309 (2018), http://care.diabetesjournals.org/content/41/6/1299.

price increases and formulary changes may actually result in some patients losing affordable access to the most effective or preferred treatments.

As part of my ongoing examination of the rising cost of prescription drugs, and given the factors described above and the information OptumRx possesses, I ask that you respond to the following questions as soon as possible and no later than August 13, 2018.

1. How have rebates, discounts, and other financial incentives that your company receives from insulin manufacturers changed over time?
2. What portion of rebates from insulin manufacturers is retained by your company? What determines that share? How has that trend changed over the past five years?
3. How have the financial incentives above affected your company's decisions related to formulary placement, prior authorization requirements, and other utilization management strategies?
4. Does your company use rebates to lower costs for insulin at the point of sale for patients?
5. What is your role relative to insulin manufacturers in setting list prices for insulin?
6. How have formulary designs changed over time with respect to insulin products? How can formularies be designed to provide patients a full range of insulin products with affordable cost-sharing obligations?

Sincerely,

Susan M. Collins

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Chairman
U.S. Senate Special Committee on Aging