

United States Senate

WASHINGTON, DC 20510

November 20, 2018

Gail K. Boudreaux
President and Chief Executive Officer
Anthem, Inc.
120 Monument Circle
Indianapolis, IN 46204

Dear Ms. Boudreaux:

As Co-Chairs of the Senate Diabetes Caucus, we are concerned about the skyrocketing prices of insulin products and the impact of these higher prices on individuals with diabetes. More than seven million Americans use insulin as part of their daily treatment, and virtually all of those with Type 1 diabetes rely on it for survival. Although insulin was first discovered nearly a century ago, manufacturers have raised prices by more than 240 percent in the last decade.¹ This shocking increase in price could place an essential diabetes treatment out of reach for some Americans, increasing the risk of complications including vision problems, nerve damage, heart disease, stroke, and premature death.

Recent reports analyzing increasing insulin prices have noted a growing difference between a product's average list price and the net price that is ultimately received by the manufacturer.² Insulin manufacturers and others have attributed this difference to rebates, fees, and other discounts paid to pharmacy benefit managers (PBMs) and other middlemen in return for market access. According to manufacturers, as list prices have increased, so have the amounts paid to PBMs and other entities. For example, rebates and discounts accounted for 64 percent of gross revenue across all products for one manufacturer in 2017, up from 59 percent in 2016 and 56 percent in 2015. Another manufacturer cited a 115 percent increase in the list price for one insulin product between 2012 and 2017, corresponding with a 13 percent decrease in the net price received by the manufacturer over that same period. While it is clear that rebates reduce net costs for some participants in the supply chain, it is unclear who benefits from increasing rebates, and whether they reduce costs for consumers or, instead, drive up health care spending for the benefit of a few health care industry stakeholders.

On May 8, 2018, the U.S. Senate Aging Committee held a hearing to examine insulin access and affordability, including the impact of rebates on insulin prices. Through this hearing and a series of inquiries, we have heard health care professionals, drug industry experts, insulin manufacturers, supply chain participants, and others identify the opaque rebate system as a factor contributing to increasing insulin prices, putting the cost of necessary treatments out of reach for some patients, including those on high-deductible health plans, those with high co-pay or co-insurance obligations, and those without insurance. According to a whitepaper released by a

¹ Sarah Jane Tribble, *Several Probes Target Insulin Drug Pricing*, KAISER HEALTH NEWS, Oct. 28, 2017, <https://www.nbcnews.com/health/health-news/several-probes-target-insulin-drug-pricing-n815141>.

² 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>.

working group of the American Diabetes Association, PBMs have substantial market power and often exclude from formularies the insulins made by the manufacturer that offers the lowest rebate.³

In contrast, PBMs have identified rebates as an important tool used to reduce net prices for their clients, which include health plans, employers, unions, and government programs. When more than one therapeutically equivalent insulin product is available, PBMs negotiate rebates with manufacturers and recommend that their clients adopt formularies that encourage enrollees to use the products with the lowest net cost to the plan. By excluding competitive products, placing them on formulary tiers with higher cost-sharing obligations, or requiring step therapy, prior approval, or other intervention to gain access, formulary design and utilization management services can produce significant savings for PBM clients. Part D plan sponsors receive 100 percent of the value of rebates negotiated by PBMs on their behalf, and commercial plans often receive more than 90 percent; according to one PBM, its recommended formulary design reduced average diabetes prescription costs for clients by 36 percent from 2016 to 2018.

Although the value of rebates passed through to PBM clients has increased in recent years, so too have out-of-pocket costs for enrollees, placing affordable access to insulin products out of reach for some patients. Few insurance plans provide formularies with competitive insulin products within the same tier or therapeutic class, and rebates are rarely available to reduce enrollee out-of-pocket spending at the pharmacy counter. According to the Kaiser Family Foundation, the number of workers enrolled in employer-sponsored plans with deductibles increased from 59 percent ten years ago to 85 percent today, and the average deductible has increased by 53 percent over the past five years.⁴ For some Americans, ever-increasing drug prices, limited formulary coverage, and growing cost-sharing obligations have placed necessary insulin treatments out of reach, or near being so.

The number of Americans living with diabetes is expected to double by 2030 and related health care costs are expected to increase by more than fifty percent.⁵ It has been estimated, however, that a 10 percent increase in medication compliance among patients with diabetes results in a 4 percent decrease in diabetes-related health care costs.⁶ Unfortunately, skyrocketing prescription drug prices continue to burden Americans, making access to needed therapies unaffordable. A recent survey found that, because of cost, approximately 21 percent of Americans chose not to purchase a prescription drug in 2016.⁷

As part of our continuing effort to unravel the opaque insulin supply chain, we seek your help in better understanding the role that insurance plans play in promoting affordable access to

³ William T. Cefalu, et al., *Insulin Access and Affordability Working Group: Conclusions and Recommendations*, American Diabetes Association. May 8, 2018, pp. 1309. <http://care.diabetesjournals.org/content/diacare/41/6/1299.full.pdf>

⁴ Gary Claxton, et al., *Health Benefits in 2018: Modest Growth in Premiums, Higher Worker Contributions at Firms with More Low-Wage Workers*, HEALTH AFFAIRS. Nov. 2018, pp. 1896. [HTTPS://WWW.HEALTHAFFAIRS.ORG/DOI/PDF/10.1377/HLTHAFF.2018.1001](https://www.healthaffairs.org/doi/pdf/10.1377/hlthaff.2018.1001)

⁵ William R. Rowley, MD, et al., *Diabetes 2030: Insights from Yesterday, Today, and Future Trends*, POPULATION HEALTH MANAGEMENT. Feb. 1, 2018, pp. 1. <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC5278808/pdf/pop.2015.0181.pdf>

⁶ Rahul A. Shenolikar, MS, et al., *Comparison of Medication Adherence and Associated Health Care Costs After Introduction of Pioglitazone Treatment In African Americans Versus All Other Races in Patients with Type 2 Diabetes Mellitus: A Retrospective Data Analysis*; CLINICAL THERAPEUTICS. Aug. 2006. [https://www.clinicaltherapeutics.com/article/S0149-2918\(06\)00192-5/pdf](https://www.clinicaltherapeutics.com/article/S0149-2918(06)00192-5/pdf)

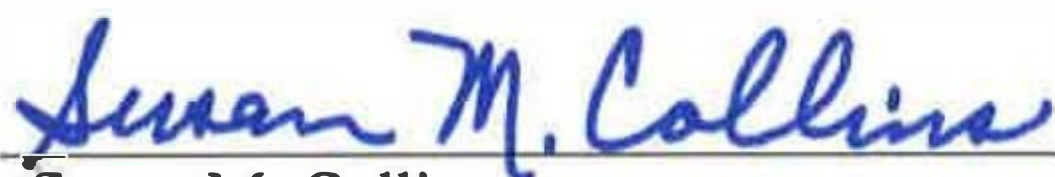
⁷ Bianca DiJulio, et al., *Data Note: Americans' Challenges with Health Care Costs*, KAISER FAMILY FOUNDATION, Mar. 2, 2017, <https://www.kff.org/health-costs/poll-finding/data-note-americans-challenges-w-lth-care-costs/>.

insulin products. Given the information your company possesses and the factors described above, please provide the information requested below by December 14, 2018.

1. Please describe how expenditures on insulin products have changed for plans offered by your company over the past 10 years. Please include in your response how rebates, discounts, fees, or other compensation paid by insulin manufacturers have affected plan spending over this time.
2. Please explain how plans sponsored by your company have used rebates received from insulin manufacturers to reduce expenses for enrollees who use insulin in the last ten years.
3. Please describe the relationship between the price of insulin that the patient pays at the pharmacy counter and medication adherence. How can formularies be designed to provide patients with a full range of insulin products with affordable cost-sharing obligations? Please included in your response a description of the approval process for formularies covered by plans sponsored by your company, and discuss how rebates, discounts, fees, or other compensation paid by insulin manufacturers have impacted formulary designs in the last ten years.
4. For plans offered by your company that include prescription drug benefits, please describe how enrollee out-of-pocket costs have changed over the past 10 years. Please include consideration of premiums, deductibles, copayments, coinsurance, and any other cost-sharing or out-of-pocket expenditures imposed or anticipated by the plans.
5. To the extent your plans engage a PBM or other entity to provide formulary design and prescription drug benefit services, please describe those services and how such entities are compensated.
6. Please describe your company's experiences with enrollee use of copayment coupons in recent years, including their effect on formulary design and efforts to encourage use of lower-cost but clinically appropriate alternatives.

We appreciate your attention to this matter. Should you have any questions, please do not hesitate to have your staff contact [REDACTED] with the Senate Special Committee on Aging at [REDACTED] with Senator Jeanne Shaheen's office at [REDACTED]. Please direct all official correspondence to the Aging Committee's [REDACTED] at [REDACTED], and [REDACTED].

Sincerely,



Susan M. Collins
Chairman
U.S. Senate Special Committee on Aging



Jeanne Shaheen
United States Senator