VIA ELECTRONIC FILING TO: exchange@health.state.ny.us

August 16, 2012

Re: Comments on Draft Analysis of Essential Health Benefits Benchmark Options

Pfizer, Inc. (Pfizer) appreciates the opportunity to offer comments on New York's essential health benefits benchmark comparison documents. Pfizer is a research-based global pharmaceutical company dedicated to the discovery and development of innovative medicines and treatments that improve the quality of life for people around the world.

We strongly believe that essential health benefits should include a wide range of health care products and services that meet diverse patient needs, and provide the scope of benefits under a typical employer plan, as mandated by the Affordable Care Act (ACA). Patients and their healthcare providers should have access to a broad array of treatment options, and patients' out-of-pocket exposure should be affordable and transparent, so the most appropriate treatment choices can be made. Given our commitment to biomedical research and development, we also believe essential health benefits should take into account the role of innovation and the advancement of medical and scientific knowledge in providing access to treatment options.

In accordance with these principles, we offer the following recommendations for your consideration:

1) ***New York's benchmark selection should provide meaningful coverage that ensures comprehensive access to innovative treatments for all consumers, especially those with chronic conditions or other complex needs.***

Innovative medicines enable people to live longer, healthier, and more productive lives. A recent study found that medicines specifically account for 50 to 60 percent of increases in survival rates since 1975.[1] Another study revealed that life expectancy for cancer patients has increased about 3 years since 1980, and 85 percent of those gains are attributable to new treatments, including medicines.[2]

[1] Pharmaceutical Research and Manufacturers of America, Pharmaceutical Industry Profile 2010 (Washington, DC: PhRMA, March 2010)
[2] Ibid.

In addition to strengthening health outcomes, prescription drugs lead to long-term cost savings across the health care system by reducing unnecessary hospitalizations and preventable medical care. For example, a study of Medicare Part D revealed that comprehensive drug coverage is associated with reductions in non-drug spending, resulting in overall savings to Medicare of $13.4 billion in a single year. [3]

Thus, it is critical that New York select an essential health benefits benchmark that provides comprehensive prescription drug coverage and access to critical therapies. For example, New York's Federal Employees Health Benefits Program (FEHBP) benchmark options – the BCBS Standard, BCBS Basic, and GEHA Standard--cover all available drugs approved by the U.S. Food and Drug Administration through an "open" formulary. This comprehensive drug coverage is critical to a plan's ability to provide high quality coordinated medical care and to reduce long-term health costs. The flexibility extended under an open formulary also allows physicians to manage their patients' prescription drug regimen in the most clinically appropriate and cost-effective manner.

To assist stakeholders in evaluating whether New York's other benchmark options provide a similarly comprehensive drug benefit, New York should release additional information on each benchmark option's drug coverage. This is particularly important since five of New York's 10 potential benchmark plans provide drug coverage through a rider. Under federal guidance issued to date, "if benefits in an essential benefits category are offered only through the purchase of riders in a benchmark plan, that required essential benefit category must be supplemented by reference to another benchmark." [4] To assist consumers, providers, and others in fully evaluating the potential implications of supplementing a benchmark plan with the drug benefit of another benchmark option, New York should further detail each benchmark option's drug formulary, exclusions, and cost-sharing requirements.

2) *New York should select a benchmark plan without excessive cost-sharing requirements to protect consumers from unexpected financial obligations and ensure plan compliance with the ACA's prohibition on discriminatory benefit design*.

Cost-sharing is an integral element of plan benefit design and heavily impacts consumer access to health care. A Milliman report found that the degree to which beneficiaries have access to prescription drugs or other services depends in large part on *how* these services are covered, which includes not only what items and services are covered benefits, but also the amount of cost-sharing that is imposed on those benefits. [5] According to Milliman, the impact of cost-sharing requirements is so great

[3] Pharmaceutical Research and Manufacturers of America, Pharmaceutical Industry Profile 2012 (Washington, DC: PhRMA, April 2012)
[4] Center for Consumer Information and Insurance Oversight. "Frequently Asked Questions on Essential Health Benefits Bulletin ." Issued February 17, 2012. pp. 3.
[5] B. Pyenson et al., "Essential Health Benefits - What is Typical?," Milliman, May 2011, available at http://insight.milliman.com/article.php?cntid=7637.

that "covered services with much higher patient cost-sharing or much more limited access than most other services could be thought of as outside the core benefits." [6]

In fact, research shows that burdensome patient out-of-pocket costs and high copayments can cause people to delay or forgo needed treatment. According to a 2007 study in the *Journal of the American Medical Association (JAMA)*, for each 10 percent rise in cost sharing, medicine use fell between 2 percent and 6 percent.[7] Studies have shown that, even for severe life-threatening diseases such as cancer, significantly more patients abandon treatment at higher co-pays. When patients do not adhere to their treatment regimens as established by their health care providers, their conditions may worsen, creating higher health system costs in the future.

The impact of excessive cost-sharing requirements on patients is one of the reasons why the ACA explicitly prohibits benefit designs from discriminating against individuals because of their age, disability, or expected life.[8] To ensure plan compliance with this ACA provision, New York should evaluate the cost-sharing requirements and affordability of each benchmark plan option and ensure that its ultimate benchmark selection provides accessible and affordable coverage of necessary and appropriate medical therapies. Also, the benchmark's out-of-pocket obligations, whether coinsurance or copayments, should be designed such that they fall within a limited and narrow range across the full array of disease categories.

3) *New York should establish clear and meaningful standards for comparing health plans to the benchmark plan, including consideration of formulary breadth and cost-sharing.*

Federal guidance issued to date has established baseline standards for determining whether individual and small group health plans reflect a state's selected benchmark coverage. Specifically, health plans will be required to offer benefits that are "substantially equal" to the benefits of the benchmark plan selected by the state and modified as necessary to reflect the ten coverage categories of the ACA.[9] To make a reasoned judgment about the comparability of coverage, New York should develop a set of criteria that address multiple aspects of coverage, including the following:

- For prescription drug coverage, formulary breadth must be evaluated. This includes ensuring that plans cover a broad distribution of therapeutic categories and classes that reflects, at a minimum, the range of drugs covered by the benchmark plan.

[6] Ibid.
[7] D. Goldman, et. al., "Prescription Drug Cost Sharing, Associations with Medical Utilization and Spending and Health," Journal of the American Medical Association, July 4, 2011, available at http://jama.ama-assn.org/content/298/1/61.abstract
[8] Patient Protection and Affordable Care Act, Public Law 111-148 (March 23, 2010), as modified by the Health Care and Education Reconciliation Act of 2010, Public Law 111-152 (March 30, 2010), Title I, Subtitle D, Section 1302.
[9] Center for Consumer Information and Insurance Oversight. "Essential Health Benefits Bulletin." Issued December 16, 2011. pp.12.

- To further protect consumers, excessive cost-sharing requirements and utilization management should be a consideration. For instance, if the benchmark plan does not utilize discriminatory specialty tiers or restrictive step therapy, individual and small group plans should not be considered substantially equal to the benchmark coverage if they do.

- A plan's exceptions and appeals process should be at least as robust as the benchmark plan. For prescription drug coverage, this includes ensuring that the plan provides enrollees with the opportunity to obtain an exception when a needed drug is excluded from a plan's formulary or placed on a higher cost-sharing tier.

Pfizer encourages New York to publicly outline criteria that the state will use to evaluate whether plan coverage is actually comparable to the state's benchmark plan. Such criteria should include, at a minimum, the factors listed above and draw on current best practices in the commercial and employer-sponsored market.

4) ***New York must ensure that plans do not utilize benefit design flexibility to discriminate against vulnerable, high-cost consumers.***

The "Essential Health Benefits Overview" developed by Milliman for New York notes that federal guidance issued to date allows health insurers "some flexibility to adjust benefits, including both the specific services covered and any quantitative limits."[10] Although not stated by Milliman, federal guidance also requires such adjustments to be actuarially equivalent to the benchmark plan and not violate other statutory provisions, such as the ACA's prohibition on discriminatory benefit designs.[11]

Pfizer supports multiple choices of benefit designs, which the flexibility to adjust benefits is intended to foster. However, it is critical that New York establish consumer protections that prevent plans from using this flexibility to risk select in a manner that leaves vulnerable, high-cost consumers with extreme financial obligations.

A recent issue brief from the *Robert Wood Johnson Foundation* and *Urban Institute* provides an illustrative example.[12] In a selected state, mandated coverage of oral chemotherapy was shown to save individual patients up to $7,000 per year, but because the patients who needed oral chemotherapy only made up 0.4 percent of enrollees, the cost of the mandate only increased employer premiums by 0.014 percent.[13] This relatively low premium impact means that if a plan in this state was

[10] Milliman, Essential Health Benefits Overview, 2012. Accessed on August 11, 2012, at http://www.healthcarereform.ny.gov/timeline/docs/2012-08-02_esential_health_benefits_analysis_for_ny5.ppt
[11] Center for Consumer Information and Insurance Oversight. "Frequently Asked Questions on Essential Health Benefits Bulletin ." Issued February 17, 2012. pp. 3.
[12] L. Clemans-Cope, et. al., "Protecting High-Risk, High-Cost Patients: Essential Health Benefits, Actuarial Value, and Other Tools in the Affordable Care Act," Robert Wood Johnson Foundation, Urban Institute, June 2012, available at http://www.rwjf.org/files/research/74504.quickstrike.essentialbenefits.pdf.
[13] Ibid.

allowed to vary benefits from the benchmark plan to exclude oral cancer drugs, there may not be a detectable impact on actuarial equivalence; particularly, if the plan offset the exclusion with benefit changes for less costly enrollees. [14] However, the substantial impact on individual cancer patients could dissuade some from enrolling in the plan, while allowing the plan to avoid the total cost of care for those patients.[15]

To ensure that plans do not adjust services in a manner that discriminates against vulnerable, high-cost consumers, New York should consider reviewing substitutions to ensure that they are actuarially equivalent and non-discriminatory. The state should also consider consumer protections such as a formulary review process, limitations on specialty tiers and excessive cost-sharing, and a robust appeals process.

Conclusion

We appreciate the opportunity to review New York's initial analysis of its benchmark plan options. We look forward to more detailed analyses, additional information, and ongoing opportunities to provide input.

Thank you for your consideration. Should you have any questions related to these comments, please feel free to contact me at 518-281-3840.

With kind regards,

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Pfizer, Inc.

[14] Ibid.
[15] Ibid.