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Memo

Date: November 20, 2014

To: Sparb Collins

From: Josh Johnson and Pat Pechacek

Subject: REVIEW OF PROPOSED BILL 15.0117.04000 RELATING TO INSURANCE COVERAGE OF CANCER TREATMENT MEDICATIONS

The following summarizes our review of the proposed legislation and the preliminary response from Blue Cross Blue Shield (BCBS).

OVERVIEW OF PROPOSED BILL

As proposed, this bill would require that member cost sharing (copays, deductibles, or coinsurance) for cancer medications administered by the patient either orally or by self-injection not exceed member cost sharing for cancer medications administered by a health care provider.

EXPECTED FINANCIAL IMPACT

Injectable medications are more commonly administered by health care providers which can entail charges for the visit in addition to the cost of the medication itself. Because of this, our initial thought was that it may cost the plan less if injectable medications are patient administered.

However, upon further investigation by BCBS, they have determined that the most common and accurate way to administer parity on the medical and pharmacy benefit components is to administer both with no member cost sharing for the applicable cancer medications. They estimate the potential cost to the plan of the lost member cost sharing to be approximately $300,000 annually assuming no change in utilization from current levels. The richer benefit and removal of any utilization management or cost differential for different medications could have an impact on utilization as well which could increase costs further.

TECHNICAL COMMENTS

As mentioned above, BCBS has determined that the easiest and most accurate way to administer parity would be to have zero member cost sharing for cancer medications through the pharmacy and medical benefits. BCBS stated that different cost sharing provisions could

be applied, but the resulting cost estimates would have higher variability as they depend on how existing medical and pharmacy accumulators are coordinated. There is also concern as to the administrative complexity of administering cost-sharing equally from a medical and pharmacy benefit perspective if it is set at something other than zero member cost. In addition, changes to any benefit parameters may cause the loss of grandfathered status per ACA regulations.