



July 23, 2014

Commissioner Marguerite Salazar
Colorado Division of Insurance
1560 Broadway, Suite 850
Denver, Colorado 80202

Re: Pharmaceutical Trend in 2015 Individual Rate Filings

Dear Commissioner Salazar:

The Colorado Consumer Health Initiative (CCHI) is submitting the following comments regarding the pharmaceutical trend in the proposed 2015 rate filings. Based on our review of the filings, we believe some pharmaceutical trend assumptions require additional scrutiny from the Division of Insurance (Division).

We have specific comments regarding the pharmaceutical trend for the following three individual market filings:

- HMO Colorado Inc., AWLP-129533156
- Humana Health Plan Inc., HUMA-129570268
- Rocky Mountain HMO, LEIF-129536169

Together, these 3 filings are projected to impact over 150,000 covered lives. Pharmaceutical trend increases of 13.5%, 21.5%, and 17.1% are proposed, respectively, in the HMO Colorado, Humana, and Rocky Mountain HMO filings.

Each of these proposed trend rates contain pricing assumptions far higher than recent average prescription drug price increases. Recent data demonstrate that prescription drug prices rose 3.6% between May 2013 and May 2014.¹ Moreover, increases in pharmaceutical expenditures for 2014 have been pegged between 3-5% by researchers,² and at an average annual rate of 6.5% between 2015-2022 by the Centers for Medicare and Medicaid Services.³ All three of the companies mentioned above attribute a significant portion of their pharmaceutical trend assumptions to relatively large increases in price:

- HMO Colorado: 9% due to price
- Humana: 8.9% due to price
- Rocky Mountain HMO: 7.2% due to price

¹ Altarum Institute Price Brief (July 10, 2014). Health Sector Economic Indicators, #14-07

² Schumack, Glen T., et al. (March 15, 2014). National Trends in Prescription Drug Expenditures for 2014, *Am. J. of Health-System Pharmacy*, 71:482-499.

³ CMS National Health Expenditure Projections 2012-2022 (November 2013)

The Division should evaluate these pricing assumptions as they relate to scores of publicly available data that demonstrate lower price trends.

Both the HMO Colorado Inc. and Humana Health Plan Inc. filings assume significant increases due exclusively to recently approved drugs for the treatment of Hepatitis C. These new drugs are promising for consumers diagnosed with Hepatitis C, with cure rates as high as 95% and significantly shorter courses of treatment.⁴ While these regimens are no doubt expensive, we urge the Division to review the assumptions around these drugs and their ultimate impact on trend, particularly as other 2015 filings neither assume such significant increases nor call out particular drug regimens. Humana, for instance, attributes 17.7% of the proposed pharmaceutical increase to these drugs alone. Recent research estimates the total treatment costs of the newest Hepatitis C drug therapy at \$117,000, lower than the \$175,000 suggested by Humana. Moreover, a competing and similarly effective drug is expected for release by the end of 2014,⁵ which could aid in driving down the price.

Additionally, the filings do not take into account the potential cost savings that could arise from reduced medical costs associated with Hepatitis C. A 2013 Milliman report found that PMPM costs for commercially insured patients with hepatitis C is approximately 5.5 times the average commercial PMPM costs, with costs increasing by disease stage.⁶ If HMO Colorado Inc. and Humana project significant utilization of new, highly effective Hepatitis C drugs, there may also be a corresponding decrease in utilization for hospital and professional services. We urge the Division to have HMO Colorado and Humana submit documentation of how these projections were factored into their medical utilization trend projections.

Variable Trend Impacts

We further urge the Division to review each filing's pharmaceutical trend assumptions based on the distinct impacts of price, utilization, and the introduction of new and generic drugs. While most filings identify these variable impacts, some do not (see: Cigna Health and Life Company CCGH-129556862 and Colorado Health Insurance Cooperative Inc. CHCO-129558535). We ask that the Division require this data to be publicly available and to thoroughly review these trend elements to ensure the proposed increases are justified.

⁴ Ghany MG, Liang TJ. Current and future therapies for hepatitis C virus infection. *N Engl J Med*. 2013;369(7):679-680.

⁵ Brennan T, Shrank W. New Expensive Treatments for Hepatitis C Infection. *JAMA*. Published online July 20, 2014. doi:10.1001/jama.2014.8897.

⁶ Milliman, Inc. NY. (December 10, 2013). Health Care Reform and Hepatitis C: A Convergence of Risk and Opportunity.

Patent Expiration

In addition, while there are fewer drug patents expiring in 2015 than in the past couple of years, PriceWaterhouse predicts there will be an estimated \$17 billion in reduced spending due to generic drugs coming to market.⁷ Given the publicly available information in the filing, it is unclear how plans contemplated these developments, as no filing addresses this issue sufficiently in the actuarial memorandum. We encourage the Division to consider these impacts in its review of pharmaceutical trend assumptions.

Thank you for your commitment to a thorough review of Colorado's rate filings. If you have any questions, please feel free to contact us.

Sincerely,

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CC: Tom Abel- Supervisor, Life, Accident and Health, Rates and Forms Section

⁷ Pricewaterhouse Coopers LLP, Health Research Institute (June 2014). Medical Cost Trend: Behind the Numbers 2015.