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From Obamacare to Trumpcare and the role of Specialty Medications in the Pricing of Group Products in Puerto Rico

Just what is Trumpcare?

- Obamacare = Affordable Care Act (2011)
- So what is 'Trumpcare?'
  1. First it was the complete "Repeal" of Obamacare.
  2. Then it was "Repeal & Replace."
  3. Failed after an important vote by Sen. John McCain.
  4. Now, it has been reduced to attempts to sabotage the ACA through a series of Executive Orders and other similar actions (reduced funding for ads, reduced oversight of the Individual Mandate, withhold CSR payments to insurers, etc, etc)—over 15 separate actions in all!

What can we agree on?

- Not much—which at the end of the day was what killed the Republican effort to repeal and replace.
- Obamacare has some good aspects and some not-so-good aspects.
- One of the biggest faults is its failure to deal effectively with the cost of prescription drugs. Many states are trying to enact their own “transparency” legislation but the effort has been generally weak, relying on reporting of large price hikes and imposing monetary penalties in such cases.

Effect of Rx Cost in Puerto Rico

- Did you know?
  - Today the Private Health Insurance market in Puerto Rico represents about $2.3 billion in annual expenditures.
  - Prescription Drugs accounts for about one third of those expenditures, or about $750 million per year.
  - Incredibly, while Specialty Medications (Biologics) account for less than 2% of all prescriptions filled, they account for a whopping 35% of all Rx dollars, or about $260 million per year in the PR commercial market alone.
  - Why so much? The average cost of a specialty med is in excess of $3,000/month of treatment, with some costing more than $50,000/month!

So what??

- There are two (2) fundamental problems with the way the cost of these important treatments are factored into our health care premiums:

  1. They are NOT evenly dispersed among medium-sized employer groups, and
  2. Once identified, they are highly repetitive and are therefore automatically priced into the group's renewal premiums.

Example

- Company with 250 employees
- Premiums average $400 PEPM
- Monthly Premium is $100K (250 x $400)
- Let's asume Monthly Claims average approximately $85K—an MLR of 85%.
- A dependent is diagnosed with Hemophilia A and now needs Clotting Factor VIII replacement therapy at a cost of $45K per month.
- Average Monthly Claims for the Group just went from $85K/month to $130K/month—and the Group's MLR went from 85% to 130%, prompting a renewal rate increase of +60% to cover the cost of the new risk level.
- All other insurance carriers on the island react in the same way, offering rates ranging from +50% to +70%.
- **Is there a solution? What does this have to do with Obamacare?**

Effect of the MOOP

- The MOOP is the Maximum Out-of-Pocket member expense per year (locally $6,350 for Indiv contracts / $12,700 for Non-Indiv contracts).
- In Puerto Rico, by and large the most common occurrence of cost-sharing exceeding the MOOP threshold is in Specialty Med utilization.
- Because most Specialty Meds have Copay Assistance Programs in effect, the net result is a cap on the benefit the Pharmaceutical Industry offers.

MOOP Effect on $10k Rx w 30% Coins

Monthly Cost	Plan Share	Member Share	Plan % of Tot Cost
Jan $10,000	$7,000	$3,000	70.0%

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Feb $10,000	$7,000	$3,000	70.0%

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Feb $10,000	$7,000	$3,000	70.0%
Mar $10,000	$9,650	$350	96.5%

MOOP Effect on $10k Rx w 30% Coins

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Jan $10,000	$7,000	$3,000	70.0%
Feb $10,000	$7,000	$3,000	70.0%
Mar $10,000	$9,650	$350	96.5%
Apr $10,000	$10,000	$0	100.0%

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Feb $10,000	$7,000	$3,000	70.0%
Mar $10,000	$9,650	$350	96.5%
Apr $10,000	$10,000	$0	100.0%
May $10,000	$10,000	$0	100.0%
Jun $10,000	$10,000	$0	100.0%
Jul $10,000	$10,000	$0	100.0%
Aug $10,000	$10,000	$0	100.0%
Sep $10,000	$10,000	$0	100.0%
Oct $10,000	$10,000	$0	100.0%
Nov $10,000	$10,000	$0	100.0%
Dec $10,000	$10,000	$0	100.0%
TOT $120,000	**$113,650**	**$6,350**	**94.7%**

$10k Rx w 30% Coins w/o the MOOP

Monthly Cost	Plan Share	Member Share	Plan % of Tot Cost
Jan $10,000	$7,000	$3,000	70.0%
Feb $10,000	$7,000	$3,000	70.0%
Mar $10,000	$7,000	$3,000	70.0%
Apr $10,000	$7,000	$3,000	70.0%
May $10,000	$7,000	$3,000	70.0%
Jun $10,000	$7,000	$3,000	70.0%
Jul $10,000	$7,000	$3,000	70.0%
Aug $10,000	$7,000	$3,000	70.0%
Sep $10,000	$7,000	$3,000	70.0%
Oct $10,000	$7,000	$3,000	70.0%
Nov $10,000	$7,000	$3,000	70.0%
Dec $10,000	$7,000	$3,000	70.0%
TOT $120,000	**$84,000**	**$36,000**	**70.0%**

So What's the Solution?

- Legislation that does TWO things:
  1. **Require MANDATORY POOLING of a STANDARD SPECIALTY COVERAGE for ALL Commercial Business**
  2. **Removal of Specialty Medication from the MOOP**
- In a single piece of legislation, we reduce the base cost by allowing Copay Assistance Programs to do their job, while also diluting the cost even further by pooling Specialty Med risk among ALL covered lives.

HHS Letter from July 2014

- As a territory, we are in a unique situation due to the HHS letter from July 2014 that effectively excluded the territories from required compliance with six (6) key aspects of the Affordable Care Act, including the EHB requirement which is where the MOOP is defined.
- This allows us to tackle our Specialty Meds challenge in a way none of the 50 states can.
- *¡Puerto Rico lo hace mejor!*

For Discussion