

Capping Prescription Drug Copays Is Not Enough – Congress Must Help America’s Families by Addressing the Root Causes of High and Rising Drug Costs



The high and rising cost of prescription drugs in the United States is a significant health and economic problem for families in our country. **Nearly 3 in 10 adults — approximately 80 million people — cannot afford to take their medicine as prescribed¹ because of the unchecked power of big drug companies and their ability to price gouge.²** In July 2022, the U.S. Department of Health and Human Services reported that over the previous year, drugmakers raised prices beyond the rate of inflation on more than 1,200 drugs, resulting in price increases averaging more than 30%. Some drug prices increased by 500%, or as much as \$20,000 in one instance.³

Congress passed *the Inflation Reduction Act* of 2022 to address this problem. This legislation **provided relief for costs at the pharmacy counter and addressed the underlying price of a drug by enabling Medicare to negotiate fair prices for certain drugs for the first time and by enacting an inflation rebate.** These foundational steps will meaningfully lower drug costs for people across America who rely on Medicare for their care, but additional action is needed to ensure that all families have access to needed medication.

Federal policymakers are exploring several promising reforms to improve drug affordability, including addressing the flawed and outdated drug



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patent system and helping to ensure greater generic drug competition. However, other proposed solutions — well-intentioned as they may be — could ultimately do more harm than good. This is true in the case of proposals to limit out-of-pocket costs for consumers by establishing a “copay cap” on what is paid at the pharmacy counter without addressing the underlying price of the drug.

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When copay caps are enacted without solutions that hold drug companies accountable for very high prices, it creates a cost-shifting effect in which high and rising drug prices continue to drive up health insurance premiums for our nation’s families (whether or not they take prescription drugs), while at the same time “blinding” consumers and allowing drug companies to continue to raise their prices without consequence.

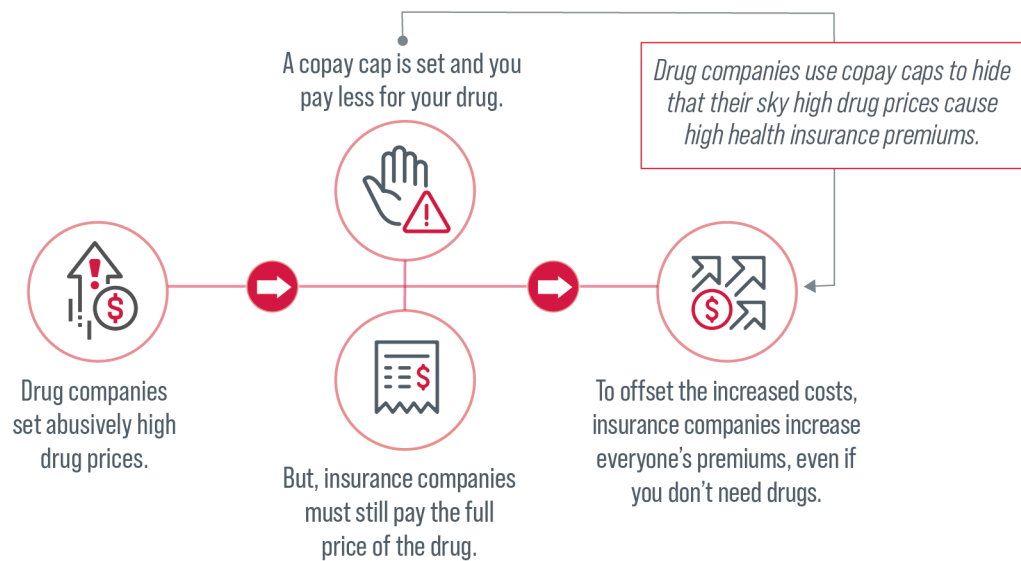
Further, since copay caps do nothing to lower the underlying price of a drug, they do not reduce health costs for uninsured people, who already pay 60% more for prescription drugs than the federal government does,⁴ leaving them even more vulnerable to increasing prescription drug prices.

Copay caps do not make health care more affordable

Capping copays merely shifts costs from the pharmacy counter to insurance premiums

The appeal of copay caps is that, by design, they limit the amount a person pays at the pharmacy counter — but, unfortunately, they do nothing to reduce the underlying price of drugs. That means that if a copay cap is set, the underlying prices for the drug are still paid by insurance providers, who in turn pass those high and rising costs along to families and employers in the form of higher insurance premiums. Those increased premiums are paid by all people within an insurance pool regardless of whether those enrollees take prescription drugs, as the prices charged by the drug company become part of the costs (for example, medical inflation, experience rating, etc.) analyzed by actuaries to

Capping Copays: A Way For Big Drug Companies to Hide Their Obscene Drug Prices and Their Role In Increasing Health Care Premiums



establish updated health insurance premiums. When a drug company abusively increases its prices, the amount insurance companies pay increases, and premiums increase.^{5,6} **In fact, almost 20% of health insurance premiums are driven by the rising cost of prescription drugs.**⁷

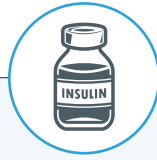
In the end, any short-term benefits of copay caps to consumers at the pharmacy counter will be dwarfed by the long-term impact of unchecked underlying prices on premium costs.

Copay caps mask abusive pricing practices of big drug companies and hit Americans' pocketbooks

A cap-only solution hides the real cost of drugs from consumers and policymakers

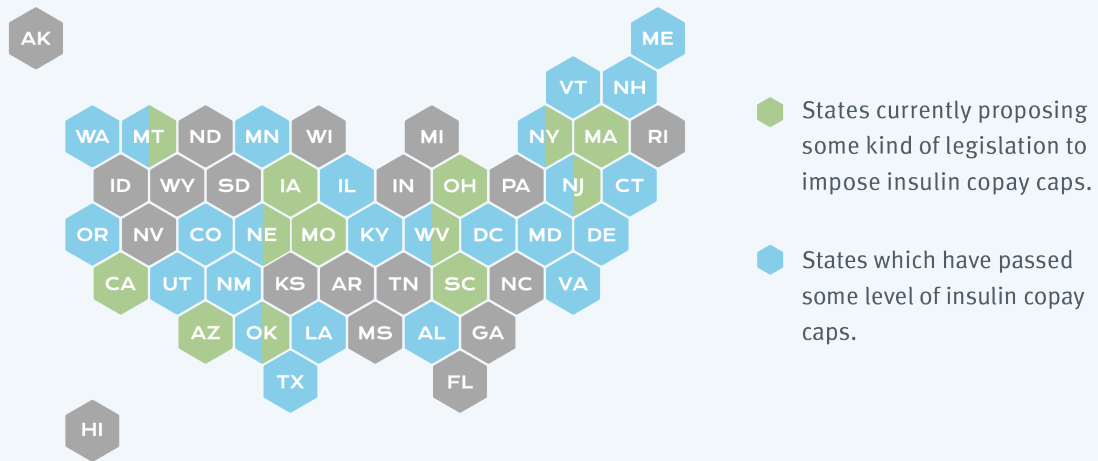
Copay caps obscure the price of the drug paid by the health care system, allowing drug companies to dictate higher and higher prices while limiting the ability of consumers or employers to understand the impact of drug price increases on underlying premium increases.

It should come as no surprise that copay cap proposals at the state level have been the preferred solution of big drug companies — a fact that should give policymakers pause. For example, many state lawmakers across the country report that intense lobbying by drug companies has driven the adoption of copay caps without pricing protections.⁸ Many of these lawmakers assert that the only type of insulin copay caps they could pass are those that do not address the underlying price — thereby pushing costs on to insurers and families paying insurance premiums.⁹



Insulin Copay Caps in the States

Twenty-five states have already passed some level of insulin copay caps, with at least 13 states in 2023 proposing new or additional legislation to impose them.¹⁰



Tennessee Rep. Jason Hodges secured enough votes for his bill to set a \$100 price ceiling — not a copay cap — at its first reading. But in June he decided to pull the bill, after colleagues whose support he counted on told him they would no longer vote for it.¹¹

“I refused to change the bill, and so at that point pharmaceutical companies were very opposed to it.”

— Rep. Jason Hodges

By shielding people with health insurance from egregious costs at the pharmacy counter without addressing underlying high drug prices, copay caps clear the path for big drug companies to continue raising the prices of drugs without consumers knowing what the real cost is or how much they are paying for it in other ways. Without question, people should spend less at the pharmacy counter. But **the only way all of us in this country will be able to afford their health care is if Congress passes policies that get at the root causes of rising drug prices.**

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Endnotes

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- ⁸ Amy Martyn, “States Are Trying to Cap the Price of Insulin. Pharmaceutical Companies Are Pushing Back.” NBC News, August 15, 2020, <https://www.nbcnews.com/news/us-news/states-are-trying-cap-price-insulin-pharmaceutical-companies-are-pushing-n1236766>.
- ⁹ Martyn, “States Are Trying.”
- ¹⁰ American Diabetes Associate, “State Insulin Copay Caps,” Tools & Resources, <https://diabetes.org/tools-resources/affordable-insulin/state-insulin-copay-caps>.
- ¹¹ Amy Martyn, “States Are Trying to Cap the Price of Insulin. Pharmaceutical Companies Are Pushing Back.” NBC News, August 15, 2020, <https://www.nbcnews.com/news/us-news/states-are-trying-cap-price-insulin-pharmaceutical-companies-are-pushing-n1236766>.

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