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Maryland Prescription Drug Affordability Board Comments on Proposed Drugs for Cost Review May 2024

On behalf of AFSCME Maryland, thank you for the opportunity to comment. AFSCME Maryland represents 45,000 state government, higher education, and local government workers. Many of them get their health coverage through workplace plans that will be subject to any prescription drug upper payment limits established by the Maryland Prescription Drug Affordability Board.

We view affordability of prescription drugs in two primary ways: affordability to the individual and affordability to a health plan and the health system more broadly. In many ways, affordability to the individual participating in a health plan is a product of their plan design and formulary structure. Even if, for example, an individual has a flat co-pay for preferred brand name drugs, they may need a certain branded drug that is not considered preferred by their plan. Depending on the details of their plan, they could face substantial out-of-pocket costs in such cases. Regardless, even with flat co-pays, many lower- and moderate-income individuals may face difficulty affording their drugs, particularly when they need to take multiple drugs. Affordability for uninsured individuals poses a different set of questions and challenges.

It is just as important to analyze how the net price for a particular drug contributes toward premiums for health plans. To be clear, we believe a drug can pose an affordability challenge to the state, broadly, despite presenting individuals with little to no out-of-pocket burden. Anytime pharmaceutical companies set unreasonably high prices or arbitrarily raise prices on existing therapies, plans must account for the cost impact, typically through premium increases. Some plans may also shift costs to participants through higher out-of-pocket responsibilities, either for a specific drug or for a broader set of drugs.

Overall premiums for employer-sponsored health coverage have steadily increased over the past several decades, typically outpacing both inflation and employee earnings. As a simple matter, dollars that are required to fund employer-sponsored health plans are not available for other forms of compensation, whether they be wages, retirement contributions or other benefits. Today, the average total premium for family coverage is around \$24,000 per year.¹ A recent analysis in JAMA shows that over a 32-year period beginning in 1988 a typical American family lost out on over

¹ <https://www.kff.org/report-section/ehbs-2023-section-1-cost-of-health-insurance/>

\$125,000 in wages due to increasing health care premiums.² Taking a narrow view of compensation (wages plus health coverage), the authors show a steady increase in the percentage of compensation taken up by health benefits over this timeframe – rising from 7.9% to 17.7%. The Bureau of Labor Statistics (BLS) measures a more complete view of compensation and shows that fully 10.8% of state and local government employee compensation now pays for health benefits.³ Likewise, the benefits consultancy Willis Towers Watson recently released an analysis showing employer-sponsored health benefits increased from 5.9% to 12.3% of payroll between 2000 and 2020.⁴ While there are a host of cost drivers for employer-sponsored coverage, there is no doubt that excessive pharmaceutical pricing has contributed mightily to this trend and suppressed wages for working families. For instance, between 2022 and 2023, of drugs with prices increases, nearly half rose faster than the rate of inflation.⁵

In the attachment, we provide tables outlining premiums for the state employee health plan for calendar year 2024.⁶ The plan is somewhat unique in that enrollment and premiums are separated for medical services and prescription drugs. We acknowledge we are not privy to the underlying actuarial assumptions and methodologies used to price the various plans. Just as not all employees will choose to enroll in medical coverage for any number of reasons, not all employees will choose to enroll in both medical and prescription coverage. However, we provide them simply as context to show that prescription drugs are clearly a significant portion of the cost to the state of Maryland to provide health benefits. Further, high drug prices are borne by all, including non-users of particular high-cost drugs. For example, the share of total employee-paid premiums that goes to the prescription drug benefit ranges from 26.7% (for someone also enrolled in employee + child coverage through the United PPO) to 42.2% (for someone enrolled in employee only coverage through Kaiser).

As far as the drugs proposed to undergo a cost review, we urge the Board to weigh and consider the impact on state and local government health plans and their participating members, in line with the Board's current authority. The therapeutic class of 'antidiabetics' is consistently the highest cost for the state employee health plan by a wide margin.⁷ Between Q1 FY 2020 and Q1 FY 2024, spending on antidiabetic drugs increased more than 100%, from \$14.5 million to \$29.3 million.⁸ As of Q2 FY 2024, fully 23% of all net drug spending within the plan comes from this one class.⁹ Just between Q4 FY 2023 and Q2 FY 2024, the net cost per member per month (PMPM) for antidiabetics increased from \$55.95 to \$62.90.¹⁰ Therefore, in particular, we believe the

² <https://jamanetwork.com/journals/jamanetworkopen/fullarticle/2813927>

³ <https://www.bls.gov/news.release/pdf/ecec.pdf>

⁴ <https://www.wtwco.com/en-us/insights/2024/04/shifts-in-benefit-allocations-among-us-employers-2000-2020>

⁵ <https://aspe.hhs.gov/reports/changes-list-prices-prescription-drugs>

⁶ <https://dbm.maryland.gov/benefits/Documents/2024%20Employee%20Retiree%20Rate%20Sheets.pdf>

⁷ [https://dlslibrary.state.md.us/publications/JCR/2023/2023_54-55_2024\(3\).pdf](https://dlslibrary.state.md.us/publications/JCR/2023/2023_54-55_2024(3).pdf)

⁸ <https://mgaleg.maryland.gov/pubs/budgetfiscal/2025fy-budget-docs-operating-F10A02-Department-of-Budget-and-Management---Personnel.pdf>

⁹ [https://dlslibrary.state.md.us/publications/JCR/2023/2023_54-55_2024\(3\).pdf](https://dlslibrary.state.md.us/publications/JCR/2023/2023_54-55_2024(3).pdf)

¹⁰ [https://dlslibrary.state.md.us/publications/JCR/2023/2023_54-55\(b\)_2023\(9\)\(rev\).pdf](https://dlslibrary.state.md.us/publications/JCR/2023/2023_54-55(b)_2023(9)(rev).pdf)

antidiabetic drugs selected by the Board (Farxiga, Jardiance, Ozempic and Trulicity) warrant further scrutiny and should be prime candidates to undergo cost reviews. In Q4 FY 2023 (the last quarter for which data has been made public), these drugs were all in the top six for total net spending among active employees¹¹:

- #1, Ozempic: \$7.9 million.
- #2, Trulicity: \$2.7 million.
- #3, Jardiance: \$1.97 million.
- #6, Farxiga: \$1.0 million.

¹¹ [https://dlslibrary.state.md.us/publications/JCR/2023/2023_54-55\(b\)_2023\(9\)\(rev\).pdf](https://dlslibrary.state.md.us/publications/JCR/2023/2023_54-55(b)_2023(9)(rev).pdf)

2024 Monthly Premiums, Employee Paid Portion

Medical Premium - Employee Portion

	Employee Only	Employee +1	Employee + Family
CareFirst PPO	123.38	222.08	308.46
CareFirst EPO	82.34	172.82	214.10
Kaiser	82.30	172.70	213.96
United PPO	121.36	218.48	303.44
United EPO	82.84	172.30	205.44

Rx Premium - Employee Portion

	Employee Only	Employee + Child	Employee + Spouse	Employee + Family
Rx Coverage	59.98	79.72	99.56	119.98

Medical + Rx Premium - Employee Portion

	Employee Only	Employee + Child	Employee + Spouse	Employee + Family
CareFirst PPO	183.36	301.80	321.64	428.44
CareFirst EPO	142.32	252.54	272.38	334.08
Kaiser	142.28	252.42	272.26	333.94
United PPO	181.34	298.20	318.04	423.42
United EPO	142.82	252.02	271.86	325.42

Percentage of Premium Attributable to Rx

	Employee Only	Employee + Child	Employee + Spouse	Employee + Family
CareFirst PPO	32.7%	26.4%	31.0%	28.0%
CareFirst EPO	42.1%	31.6%	36.6%	35.9%
Kaiser	42.2%	31.6%	36.6%	35.9%
United PPO	33.1%	26.7%	31.3%	28.3%
United EPO	42.0%	31.6%	36.6%	36.9%

2024 Monthly Premiums, Total (Employer + Employee Contributions)

Medical Premium - Total

	Employee Only	Employee +1	Employee + Family
CareFirst PPO	616.90	1110.40	1542.30
CareFirst EPO	548.93	1152.13	1427.33
Kaiser	548.67	1151.33	1426.40
United PPO	606.80	1092.40	1517.20
United EPO	552.27	1148.67	1369.60

Rx Premium - Total

	Employee Only	Employee + Child	Employee + Spouse	Employee + Family
Rx Coverage	299.90	398.60	497.80	599.90

Medical + Rx Premium - Total

	Employee Only	Employee + Child	Employee + Spouse	Employee + Family
CareFirst PPO	916.80	1509.00	1608.20	2142.20
CareFirst EPO	848.83	1550.73	1649.93	2027.23
Kaiser	848.57	1549.93	1649.13	2026.30
United PPO	906.70	1491.00	1590.20	2117.10
United EPO	852.17	1547.27	1646.47	1969.50

Percentage of Premium Attributable to Rx

	Employee Only	Employee + Child	Employee + Spouse	Employee + Family
CareFirst PPO	32.7%	26.4%	31.0%	28.0%
CareFirst EPO	35.3%	25.7%	30.2%	29.6%
Kaiser	35.3%	25.7%	30.2%	29.6%
United PPO	33.1%	26.7%	31.3%	28.3%
United EPO	35.2%	25.8%	30.2%	30.5%

NOTE: The PPO and prescription drug plans are provided at an 80/20 premium split, with the state covering 80% of the total premium. The EPO options and the Kaiser Permanente plan are offered at an 85/15 split.