



DAVE JONES
Insurance Commissioner

May 20, 2015

Secretary Diana Dooley
Chair, Covered California
and Board Members
1601 Exposition Blvd
Sacramento, CA 95815

Dear Chairperson Dooley and Covered California Board Members:

At your Board meeting tomorrow (Thursday, May 21st) you will revisit the Board decision made in January 2015 relating to cost-sharing for specialty drugs in the Covered California 2016 Standard Benefit Plan Design that all health plans and health insurers in California are required to sell in the individual and small group markets, whether or not that company sells through the Exchange.

The 2016 Standard Plan Design adopted in January had no cap on cost sharing for specialty drugs other than the \$6500 annual maximum out of pocket limit for the policies. Prior to the Covered California Board's adoption of the 2016 Standard Plan Design in January and during the months that followed, the Department of Insurance has been working with your staff and stakeholders to ask that Covered California adopt a monthly cap of \$200 for each specialty drug for all metal levels.

In advance of your April 2015 Board meeting, the Covered California staff recommendation to the Board was a monthly \$500 cap for each specialty drug. I wrote to you at that time, as did consumer organizations, asking that you lower the cap so that specialty drugs are affordable to consumers. You then postponed your decision until the May Board meeting. Like you, I continue to hear from consumers who want to see you adopt a monthly cap on the cost of specialty drugs that ensures that Californians have access to the drugs they need to treat their chronic and often life-threatening medical conditions.

The current Covered California staff recommendation is a cap of \$250 per month for each specialty drug for the Silver, Gold and Platinum Plans. For the Silver Plan this \$250 monthly cap for each specialty drug is after a \$250 pharmacy deductible is met.

The Covered California staff recommendation for the Bronze Plan, however, still allows health insurers and plans to charge up \$500 a month for each specialty drug after a \$500 pharmacy deductible is met. This means that for a person taking just one specialty drug, the cost in the first month would be \$1000 for someone with a Bronze plan. The Bronze plans are the most popular choice among Californians who do not receive premium assistance and who must pay

the full cost of the monthly premium themselves. For someone who chooses the Bronze plan because that is the premium level they can afford to pay, it is difficult to imagine that they will be able to pay \$1000 to get their first month's supply of a specialty drug, or \$1500 in the first month if they need two specialty drugs. Californians with a Bronze plan simply may not be able to afford to get their medically necessary prescriptions filled if you approve the staff recommendation to set the cap for Bronze plans at \$500 per drug per month after a \$500 deductible.

Department of Insurance staff provided Covered California staff with a number of options that would meet the Actuarial Value (AV) requirements for Bronze plans, but allow for capping the monthly cost of specialty drugs in the Bronze Plan at \$200, \$250 or \$300. The option for a cap for the Bronze plan most in line with the current Covered California staff recommendation for Silver, Gold and Platinum plans is a \$300 monthly cap on specialty and lower tier drugs for Bronze, after the pharmacy deductible is met. This option meets the AV requirement, while making specialty drugs more affordable and accessible than they would be under the latest Covered California staff recommended proposal.

There are a number of states that have caps between \$100 and \$250 for specialty drugs. And there are states, including our own, in which legislation is under consideration to cap specialty drugs at less than \$300 per month. To the extent that you are concerned with consistency from one year to the next, a \$300 cap on the Bronze plan is more in line with pending California legislation than the \$500 cap your staff propose. And all the information collected by my Department, your staff and other parties that we have seen to date shows that even a \$250 cap will not result in premium increases in 2016.

A great deal of work has been done by your staff, my staff at the Department of Insurance, consumer organizations and other stakeholders to look at these issues over the last six months. The current Covered California staff proposal is better for consumers who purchase Silver, Gold or Platinum plans than the January and April proposals, but it leaves Bronze plan consumers facing unaffordable drug costs. You can and should lower the staff recommended \$500 cap on drug costs in the Bronze plan to at least as low as \$300 a month per drug, in order to provide those with the Bronze plan affordable access to the medically necessary prescriptions they need.

I ask that you amend the staff proposal for the Bronze plan to lower the cap before you vote to adopt the Standard Benefit Design that all California health plans and health insurers will use for 2016. Thank you for your consideration of this important issue.

Sincerely,


DAVE JONES
Insurance Commissioner