

TRUE COST *of* NON-MEDICAL SWITCHING



*Milliman Study Commissioned
by PBM Trade Association
Debunks Insurers' Own Myths*

Here are the Facts about the Cost of NMS

MYTH: This Legislation Will Cost Texans Millions

FACT: [This report¹](#) does not lay out ANY new costs to insurers. Rather, it estimates with great variability *hypothetical cost savings* from leveraging market competition among drugmakers when new drugs enter the market. The report then claims insurers might not achieve these new savings if they're not allowed to force patients to switch medications. **It's up to insurance companies whether or not they raise premiums, but non-medical switching legislation will leave insurers no worse off than they are today.**

FACT: The PCMA estimates are spread over five years and includes estimates for two types of hypothetical cost savings to insurers. The largest portion of that number – 93% by one estimation in the report – is based on the ability to switch patients to new generic medications. **Non-medical switching legislation does not prohibit generic substitution, meaning that the costs in the report are wildly inflated and presented without proper context.**

FACT: Let's assume insurers will choose to pass hypothetical missed savings on to Texas patients in the form of increased premiums. **This report estimates that per-member cost to average \$.72/year for the next five years**, after you account for the continued practice of generic substitutions.

1: https://www.pcmanet.org/wp-content/uploads/2021/02/Milliman_Frozen-Formulary-Report_FINAL.pdf

FACT: Proposed premiums are set to increase by an average of 8.8% for Texans in 2023. That will lead to an average annual increase of \$589 per member.

MYTH: Insurers Say They Need to Switch Patients for Non-Medical Reasons to Protect Against Pharmaceutical Price Increases

FACT: **Contracts between payers and manufacturers of medicine include multi-year protections against price inflation.** The PCMA report states: *We estimate this scenario would not have a material impact on payer costs for several reasons.*

In fact, to the extent treatment list prices increase, the report from PCMA concedes: *The net payer cost remains stable, but members with coinsurance or high-deductible health plans may experience increased cost sharing.* That is, patients might pay more despite no increased cost to their insurance company.

MYTH: This Legislation Prohibits Substitution of Biologic Medicines

FACT: Since this report was issued, the FDA has classified three biosimilars as interchangeable, and more are on the horizon. The U.S. Congress and the FDA believe this is a meaningful designation. From the FDA: *An interchangeable biosimilar product may be substituted without the intervention of the health care professional who prescribed the reference product, much like how generic drugs are routinely substituted for brand name drugs.*

Texas legislators agree. **In 2015 the Texas legislature voted to allow pharmacists to substitute interchangeable biologics - and non-medical switching legislation does not change that.**