

BRAD SMOOT
ATTORNEY AT LAW

800 SW JACKSON, SUITE 808
Topeka, Kansas 66612
bradsmoot@smootlawoffice.com

(785) 233-0016 (Office)
(785) 224-1200 (Cell)
(785) 234-3789 (Fax)

STATEMENT OF BRAD SMOOT
LEGISLATIVE COUNSEL
BLUE CROSS BLUE SHIELD OF KANSAS
Senate Public Health and Welfare Committee
Regarding 2017 Senate Bill 165
February 20, 2017

Madam Chair and Members:

BCBSKS and its more than 1600 Kansas employees, operating from 11 different communities, serve approximately 930,000 of your fellow Kansans, in 103 Kansas counties. We contract with 100% of the acute care medical facilities in the state, 99% of medical doctors, and 97% of other providers in our service area. This enables our members to have access to the health care services they need and deserve.

BCBSKS is a mutual insurance company, which means the company is owned by and operated for the benefit of our policyholders. Nearly \$2.6 billion was paid last year for over 18.9 million claims on their behalf. We handled these claims efficiently, averaging about 90% of our premium dollar in payments to providers, mostly in Kansas. With the remaining premium, we maintain reserves, pay employees and provide facilities, equipment and other routine operational costs, including more than \$77.9 million in federal, state and local taxes in 2015.

On behalf of our customers, we must respectfully oppose portions of SB 165. We do support those portions of the bill establishing a procedure for law enforcement and first responders to have access to “emergency opioid antagonists.” Provisions similar to these have recently passed by a House committee and should be debated next week on the House floor. See HB 2217.

The provisions we oppose relate to New Section 1(b) regarding abuse-deterrent opioid analgesic drug products. SB 165 would mandate insurers cover at least one of the nine brand name abuse-deterrent drugs on the market for EACH of the three different active ingredient types of these drugs. Currently, these active ingredients include Oxycodone, Hydrocodone and Morphine. Since the bill prohibits use of step therapy for these products and there are no generic equivalent products of this type yet available, increased use of these new brand names is virtually guaranteed. These new products are wildly more expensive than their generic versions. A quick check of the GoodRx book for Topeka, Kansas, last Friday showed the generic version of Morphine was only \$12.56 while the new tamper resistant version (Embeda) was \$310.49. Commonly prescribed Hydrocodone was

\$39.89 while its abuse deterrent version (Hysingla) was \$259.03. Prices may vary from region to region and different pricing sources but the pattern is clear – these new products cost many times more.

Section 3 of the bill makes this a mandate on insurance companies and their customers. Kansas law requires that health insurance mandates (and this is a benefit mandate) must be accompanied by a cost benefit analysis as provided by K.S.A. 40-2248 and 2249. In addition, any such mandate is to be “test tracked” through the state employee health plan. See K.S.A. 40-2249a. It does not appear that either has been done.

As a technical matter, the bill is not clear as to its impact on the Medicaid program. KanCare is now served by three MCO’s/HMO’s who would be subject to this mandate in the commercial market yet the Fiscal Note does not account for any Medicaid cost increase that might be associated with this bill. With a population many times larger than the SEHP, the fiscal impact of this bill could be much higher. In addition, the Fiscal Note does not attempt to estimate the cost impact on all those local governments who purchase health insurance for tens of thousands of their employees with taxpayer dollars.

We think the possible dramatic increase in product cost combined with the yet-to-be proven effectiveness of these new abuse-deterrent formulations truly begs for the completion of the cost benefit analysis and test tracking that you as lawmakers have already seen fit to require of mandate proponents.

We applaud law enforcement, medical professionals and the pharmaceutical industry for all their efforts to deter the problem of prescription drug abuse. However, mandating these costs on the backs of the private health insurance premium payers without more information on the costs and benefits is not justifiable.

If these arguments sound familiar to many of you, it’s because BCBSKS has taken as stand against government mandates and other requirements that would increase the cost of health insurance in Kansas. Costs for health insurance is going up without any further help from government. We were forced last year to request a 49% rate increase for our least expensive HMO product sold on the ACA’s Federal Exchange. I had a state Senator approach me this week about the costs of health insurance premiums for his school district where a teacher must pay \$2100 per month for family coverage with only \$500 of that cost paid by the employer. What teacher’s salary can bear the burden of nearly \$20,000 for just health insurance? So we appear before the legislature to argue against proposals, no matter how well intended, that will increase premiums for our customers. It is after all, their dollars, not ours. Thank you for consideration of our views.