

Testimony of Anthem Blue Cross and Blue Shield
In Opposition to L.D. 1053, “An Act to Ensure That Rebates from Prescription Drug
Manufacturers Are Passed on to Patients at Pharmacies”

March 27, 2025

Good afternoon, Senator Bailey, Representative Gramlich, and Members of the Health Coverage, Insurance, and Financial Services Committee. My name is Kristine Ossenfort, and I am the Senior Government Relations Director for Anthem Blue Cross and Blue Shield in South Portland, Maine. I appear before you this morning to testify in opposition to L.D. 1053, “An Act to Ensure That Rebates from Prescription Drug Manufacturers Are Passed on to Patients at Pharmacies

This legislation is unnecessary. Maine law already requires that 100% of rebates be passed through to benefit consumers. Under the existing law, rebates can be used to benefit consumers in the following ways:

- directly to the consumer at the point of sale;
- to reduce premiums overall for all people in the pool or covered under the plan;
- a hybrid approach that includes both point of sale rebates and premium reduction.

Proponents of the bill would have you believe that there will be an increased benefit to consumers under L.D. 1053. That is not true. L.D. 1053 would eliminate the ability of employers and health plans to use prescription drug rebates to reduce premiums. This will actually do more harm than good and result in higher premiums. There have been representations that similar laws enacted in other states have not increased premiums—but those states did not have a law like Maine’s in place at the time they were enacted. For Maine. This represents a step backward from the existing law.

As indicated in the 2023 Annual Report on Prescription Drug Compensation for Benefit of Covered Persons (December 2024)¹ issued by the Bureau of Insurance, the majority of prescription drug rebates are used to reduce premiums overall. Across all carriers in

¹ <https://www.maine.gov/pfr/sites/maine.gov/pfr/files/inline-files/2023-Annual-Report-Prescription-Compensation.pdf>

anthem.com

Kristine M. Ossenfort, Esq., Senior Government Relations Director
2 Gannett Drive, South Portland, Maine 04106
kristine.ossenfort@anthem.com | 207-822-7260 (o) | 207-232-6845 (m)

the report, approximately \$147 million was used to reduce premiums in Maine—if L.D. 1053 passes, \$147 million that will have to be added back in to claims experience and covered through premium increases.

If this proposal were to pass, we estimate that eliminating the ability to use rebates to lower premiums will result in premium increases of 7%-8%. This is in addition to any premium increases due to increases in medical and prescription drug costs and the costs associated with any new mandated benefits.

According to America's health insurance plans, prescription drugs constitute approximately 22% of the health care premium dollar, which is consistent with the information contained in the Bureau's Report. Furthermore, most prescriptions are for generic drugs with no rebate. The current law allows those customers to benefit from prescription drug rebates by lowering their premiums. L.D. 1053 does not address the true root of the problem—prescription drug costs.

L.D. 1053 also proposes to exclude 340B discounts from being passed on to the consumer. Carriers do not necessarily receive the benefit of 340B discounts; however, if carriers are required to pass rebates through to benefit the consumer, it is not clear why hospitals and pharmacies that receive 340B discounts should not be required to pass those discounts on to the consumer.

It is PhRMA drug manufacturers, not consumers, who will benefit most from the passage of L.D. 1053. Many consumers take generic drugs that generally do not have rebates; yet they have the opportunity to benefit from lower premiums under the law as currently structured. Furthermore, passage of L.D. 1053 will actually reduce the dollar amount of rebates paid by drug manufacturers—the amount of the rebates paid will be limited to the member's out-of-pocket expense and once a member no longer has any out-of-pocket cost, rebates would no longer be paid.

It is important to remember that this mandate would not apply to most Mainers. As this Committee is aware, this bill would only apply to a small segment of Maine's population—it would not impact those covered by Medicaid, Medicare, or self-funded plans that are exempt under ERISA.

It is also important to note that continually increasing costs that result from legislative mandates drive more employers to self-insure. As the Committee is aware, state insurance requirements do not apply to self-funded plans that are not subject to state regulation under ERISA. Further increasing the cost of fully insured plans drives more and more employers, even small employers, to self-insure to escape state regulations that increase the cost of health insurance. Maine should not be imposing requirements that will further increase the cost of health insurance, particularly when the State is considering how to enhance the relief provided to the merged market by the Maine Guaranteed Access Reinsurance Association (MGARA).

The unintended consequences and increased costs of LD 1053 are significant. While this legislation might lower costs for a few individuals, it will increase premiums significantly for all insureds. We strongly urge you to protect health insurance consumers and vote "ought not to pass" on L.D. 1053. Thank you and I would be happy to answer any questions you might have.