



August 9, 2019

Subcommittee on Health
Additional Questions for the Record
Hearing on: “Lowering Prescription Drug Prices: Deconstructing the Drug Supply Chain”
May 9, 2019
Questions for: Amy Bricker, Senior Vice President

Cigna Corporation appreciates this opportunity to respond to follow-up questions for the record from the Subcommittee on Health relating to testimony received from Amy Bricker, Senior Vice President, at the hearing, “Lowering Prescription Drug Prices: Deconstructing the Drug Supply Chain” on May 9, 2019.

Cigna Corporation, together with its subsidiaries (either individually or collectively referred to as “Cigna”), is a global health services organization dedicated to improving the health, well-being and peace of mind of those we serve. Our subsidiaries are major providers of medical, pharmacy, dental, disability, life and accident insurance, and related products and services, with over 160 million customer relationships in the more than 30 countries and jurisdictions in which we operate. Worldwide, we offer a sense of security to our customers seeking protection for themselves and their families at critical points in their lives. Cigna completed its merger with Express Scripts in December 2018, bringing together approximately 74,000 employees around the world. The combined company’s medical, clinical, pharmacy, behavioral, and wellness insights empower us to deliver improved affordability, choice, predictability, and high-quality care through connected, personalized solutions that advance whole person health. This diverse range of businesses provides us with insight about how we can best serve our customers, and how federal and state laws and regulations can assist us in that effort.

Questions and answers by Representative:

The Honorable Michael C. Burgess, M.D.

1. What are Pharmacy Benefit Managers doing to ensure that patients are seeing the benefits of lower list prices when they reach the pharmacy counter?

- Response: Express Scripts has long advocated for lower list prices, which are set by manufacturers. While list prices are not within our control, we have made and continue to make great efforts to ensure that patients have access to affordable medicine at the pharmacy counter. Express Scripts employs a system-driven “lesser of logic” approach at the point of sale for patients at the retail pharmacy. The patient is charged either their copay/coinsurance, the plan sponsor rate, or the pharmacy’s cash price for their prescription, whichever is less.

In May 2017, Express Scripts launched Inside Rx, a prescription savings program launched in partnership with drug manufacturers and retail pharmacies to expand affordable access to brand and generic

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medications for patients with no insurance, high deductibles, or high out of pocket costs, by offering discounts to these patients at point of sale. Since the launch of the program, we have helped patients save an estimated \$400 million. Inside Rx continues to expand to provide savings to consumers who may be uninsured or underinsured.

With respect to insulin specifically, Express Scripts launched a new Patient Assurance Program within the first 100 days of the combination, which brings additional affordability and predictability to eligible customers who rely on insulin to manage their diabetes. This program establishes a lower fixed out-of-pocket cost for covered insulins, ensuring customers will pay no more than \$25 out-of-pocket when filling a 30-day insulin prescription at a retail pharmacy or through home delivery.

2. Something I find particularly concerning about our drug supply chain is the possibility of drug shortages. These can occur because of natural disasters, manufacturing issues, or business decisions. What are each of your respective companies doing to prevent drug shortages?

- *Response:* We do not manufacture or control the supply of a drug. Our contracts assume products will be available for patients, as it is in our collective interest to have adequate supply and competition to lower costs and improve quality. Further, there is rarely a single, predictable reason behind a drug shortage. In many cases, shortages are the result of disruptions in manufacturing processes, FDA orders to halt productions, etc., matters over which we have no control.

Preventing drug shortages and ensuring adequate supply of necessary pharmaceutical products is critical to patient health. The majority of drug shortages occur in the hospital setting. We have predictive models that help to show us which drugs might be in short supply and make adjustments as we are able. In the United States, the biggest problems with drug shortages occur when there is a single source manufacturer. Decreasing the amount of time in which generics get to market can also play a key part in solving this problem.

The Honorable John Shimkus

1. Given that most of the witnesses on the panel have referenced the role of creating value in the health care supply chain, please comment on: Existing areas where Congress or the Administration may have needlessly added to the cost that patients or the government pays for a particular product, service, or intervention. For example, do you have recommendations on how reforms to existing laws like Stark and the Anti-Kickback Statute could accelerate value-based contracting within Medicare and Medicare Advantage?
- *Response:* Cigna/Express Scripts urges Congress to take steps establishing additional flexibility under existing laws like Stark and the Anti-Kickback Statute to accelerate value-based contracting and other innovative solutions in public programs. In addition, we also urge Congress to pursue two other key policy changes that would allow plan sponsors to significantly improve the quality of care provided to beneficiaries while further driving down drug spend. First, the current “any willing pharmacy” requirements, whereby plan sponsors must include in their networks any pharmacy willing to meet the terms and conditions for inclusion, foregoes potentially substantial savings by limiting the program’s ability to drive better quality of care and improved clinical outcomes while also controlling costs. Second, we have long advocated for the elimination of the six protected drug classes in Medicare, which severely hampers plans’ ability to introduce value-based care concepts to address the most expensive drug therapies. We welcome the opportunity to work with your office on these and other needed reforms.

2. How do we ensure that these value-based reforms benefit patients and protect taxpayers?

- *Response:* Cigna/Express Scripts is committed to pursuing value-based reforms that benefit patients and protect taxpayers, and would welcome the opportunity to work with your office on this issue as well. Recently Cigna exceeded its value-based care goal of having 50 percent of U.S. Medicare and commercial health care provider payments through alternative payment arrangements in the company's top 40 markets by year-end 2018. Cigna established the goal in 2015 to accelerate the transition to alternative payment models that link health care provider payments to both quality and affordability.

Cigna launched value-based care delivery a decade ago to begin to transition to a health care delivery system that pays health care providers based on improved health outcomes instead of the traditional fee-for-service model, which pays providers based on volume. The move helped the company shift 50.5 percent of provider payments to alternative payment arrangements, and improve the quality of health care for customers resulting in medical cost savings of more than \$600 million from 2013-2017. In addition, it has contributed to Cigna maintaining the industry's lowest medical cost trend for six consecutive years.

In the pharmacy benefit space, Express Scripts' SafeGuardRx product combines our specialized clinical models and value-based contracting strategies to help our clients improve patient care for the most challenging conditions while also controlling costs. In 2018, the SafeGuardRx program saved \$2.4B for clients over nine specialty & chronic disease categories.

The Honorable Susan W. Brooks

1. During the hearing, I asked Express Scripts about how the company determines the lowest net cost for a product. Express Scripts responded that Express Scripts takes the list price less any discount that is offered by the manufacturer to determine the lowest net cost. The witness also said that administrative fees are considered when the company is determining the lowest net cost. Is this correct? If so, please answer the following questions:

a. What is an administrative fee?

- *Response:* An administrative fee is generally a fee for services.

b. Why is an administrative fee considered a discount?

- *Response:* Our clients, which are sophisticated entities and are often represented by benefit consultants and advisors, negotiate the overall arrangement they believe best suits their pharmacy benefit needs. Terms vary across clients and contracts, and some clients negotiate to receive amounts attributable to rebates as well as administrative fees collected by Express Scripts. Although administrative fees and discounts are distinct, our clients can realize overall value through both. These are some of the many ways we work to bring down drug costs for our clients.

c. Are there any other fees or reductions of list price that are not considered a discount by Express Scripts? If so, please explain.

- *Response:* Our clients negotiate the overall arrangement they believe best suits their pharmacy benefit needs. Components can include various fees and discounts. Client contracts generally establish a client's pricing as a discounted percentage from drug products' average wholesale price ("AWP"). These discounts are typically backed by various guarantees that are individually negotiated and vary among clients.

- d. Why are “administrative fees” considered separate and distinct from “rebates” if they are also considered a discount? Please include information about any ways in which rebates and administrative fees are considered differently by Express Scripts.
- Response: Please see our response to 1.b., above.
- e. Are all administrative fees passed through to Express Scripts’ clients? If so, how much of the administrative fee is passed through to your company’s clients?
- Response: Whether Express Scripts pays to the client an amount attributable to administrative fees is individually negotiated with each client. Negotiations with Express Scripts’ clients consider multiple components of a client’s overall arrangement, rather than looking at rebates and administrative fees in a vacuum.
- f. When Express Scripts discusses the lowest net cost drug, does it mean the lowest net cost for Express Scripts or the lowest net cost for the company’s clients—the health plan? If the administrative fee is indeed considered in determining the lowest net cost drug, could it be the case that the lowest net cost drug to Express Scripts is different than the lowest net cost drug to an Express Scripts client?
- Response: The process Express Scripts uses to develop formularies has been constructed to ensure that clinical considerations are paramount and fully taken into account before cost considerations. Formulary management is a highly effective strategy that pharmacy benefit plan sponsors can implement to maintain a safe, affordable and meaningful benefit for patients. When discussing net cost, we mean net cost to clients. Financial impact to Express Scripts is expressly excluded and prohibited from consideration in the formulary development process.