February 21, 2017

The Honorable Senator Laurie Monnes Anderson  
Chair  
Senate Committee on Health Care  
shc.exhibits@oregonlegislature.gov

Re: In Support of Oregon SB 272 “Relating to Insurance Coverage of Prescription Drugs”

Dear Senator Monnes Anderson:

We, the undersigned organizations, are writing to you in support of Oregon SB 272 “Relating to Insurance Coverage of Prescription Drugs” and ask that you strengthen it by including “grandfathering language.”

Nonmedical switching occurs when an insurer requires a stable health plan enrollee to switch from his or her current, effective medication to a less costly, alternative drug by removing the medication from the formulary list, moving a drug to a higher cost tier, or increasing the out-of-pocket costs owed. We are not against switching a plan enrollee from a brand medication to a generic version of a drug that exhibits the same levels of effectiveness and safety. However, we are against policies that force stable plan enrollees to switch to a therapeutic equivalent medication (i.e., an entirely different medication) for nonmedical reasons.

Furthermore, we believe that insurers should not be permitted to make formulary changes that result in nonmedical switching for stable individuals who reenroll in existing health plans (i.e., “grandfathered plans”).

Nonmedical switching negatively impacts plan enrollees’ health. Health care providers often work with plan enrollees for years to find a therapy that helps stabilize their conditions, manage their disease, or prevent re-emerging symptoms or the development of new side effects. Often, people living with epilepsy, diabetes, immunodeficiency, AIDS, cancer, mental health disorders, and autoimmune diseases such as rheumatoid arthritis, inflammatory bowel disease, lupus, multiple sclerosis, psoriatic arthritis, and psoriasis just to name a few, must try multiple medications before finding one that is well tolerated and effective. Forcing these stable plan enrollees to switch medications simply to save on cost can disrupt that carefully achieved equilibrium. Even the slightest variation of a drug may trigger adverse responses in plan enrollees or negatively impact their quality of life.1 Additionally, when a plan enrollee switches off of a medication and later switches back onto it after failing on other medication in between, that once effective treatment may lose its effectiveness due to built up tolerance or immunogenicity.

A switch that occurs at the beginning of a plan year is just as harmful as one that occurs mid-plan year, and for anyone struggling to manage a complex or chronic condition, long-term stability is absolutely essential. Therefore, nonmedical switching legislation must limit switches that occur from year-to-year, as well as switches within the plan year, in order to have a meaningful impact for all Oregon residents with complex or chronic illnesses.

Nonmedical switching will not save on costs in the long run. Physicians, pharmacists, and other healthcare administrators have reported that nonmedical switching increases administrative time, increases side effects or new unforeseen effects, and increases downstream costs to plans.\(^2\) Moreover, when a stable plan enrollee is switched for nonmedical reasons, his or her care is more likely to be interrupted by a second switch.\(^3\) These cost-motivated switches increase plan enrollees’ health care utilization and disrupt their course of care, and, as a result, increase related health care costs.\(^4\)

Nonmedical switching is a consumer protection issue. Individuals often sign up for health care plans under the belief that either their medication or their family member's will be covered at a particular rate. Yet, formulary changes that result in nonmedical switching occur after the plan year has begun, effectively serving as a bait-and-switch. While some insurance policies contain provisions that permit these unilateral modifications, such a change is nevertheless a breach of duty of good faith and fair dealing, which requires both honesty and reasonableness in the enforcement of the contract.\(^5\) Courts have found that an insurer has an implied-in-law duty to act in good faith and deal fairly with the plan enrollee to ensure that the enrollee receives the policy benefits.\(^6\) Nevertheless, legislation is needed to strengthen this duty.

Based on these concerns, we strongly support Oregon SB 272, which would limit nonmedical switching practices, and respectfully ask that you include grandfathering language to strengthen the legislation and to protect individuals struggling to manage complex and/or chronic conditions. Thank you for considering our recommendations on this matter.

Sincerely,

Alliance for the Adoption of Innovations in Medicine  
Alliance for Patient Access  
Coalition of State Rheumatology Organizations  
Global Healthy Living Foundation  
Lupus and Allied Diseases Association, Inc.  
National Infusion Center Association  
US Pain Foundation

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\(^4\) Id.


\(^6\) E.g., Badillo v. Mid Century Ins. Co., 121 P.3d 1080 (Okla. 2005); Christian v. Am. Home Assurance Co., 577 P.2d 899 (Okla. 1977). In the Fifth Circuit, an insurer breaches the duty of good faith and fair dealing if it “has no reasonable basis for denying or delaying payment of a claim.” Therefore, in the Fifth Circuit, a breach of the duty of good faith and fair dealing against an insurer will likely fail if there was any reasonable basis for denial of that coverage. Henry v. Mutual of Omaha Ins. Co., 503 F.3d 425 (5th Cir. 2007).