



July 22, 2022

Honorable Susan Collins
United States Senate
Washington, DC 20510

Honorable Jeanne Shaheen
United States Senate
Washington, DC 20510

Re: Additional Information About the INSULIN Act

Dear Senators:

This letter provides additional information you requested about how the certification provision in the Improving Needed Safeguards for Users of Lifesaving Insulin Now (INSULIN) Act would affect the prices for insulin and the federal budget.¹ In brief, the Congressional Budget Office finds that the provision would, on average, reduce list prices and cost sharing for insulin products while increasing net prices for insulin products, premiums for health insurance, and federal spending.

Effect on List Prices and Consequences for Spending

The certification process would reduce list prices for certified insulin products relative to their list prices under current law, CBO projects. Those reductions would occur because manufacturers seeking certification would have to reduce the list price for a given insulin product to its average price

¹ The act would limit how much private health insurance plans offering coverage in the commercial market and under Medicare Part D could require enrollees to pay out of pocket for certain insulin products. The act also would allow manufacturers to certify insulin products that meet certain pricing criteria. To certify an insulin product, a manufacturer would have to reduce the product's list price to the price net of negotiated manufacturer rebates in Part D in 2021 and limit growth in prices to the rate of inflation. Health plans would be required to cover certified products on formularies without utilization management and could not receive price concessions from manufacturers for those products. See Congressional Budget Office, estimated budgetary effects of the Improving Needed Safeguards for Users of Lifesaving Insulin Now Act (July 14, 2022), www.cbo.gov/publication/58299.

in Medicare Part D in 2021, net of negotiated manufacturer rebates, for it to be certified and eligible for the benefits of certification.

The lower list prices for certified products would affect cost sharing and medical spending.

- Reductions in list prices would reduce cost sharing, on average, for people whose cost sharing is tied to list prices through deductibles or coinsurance payments.² People without health insurance would benefit from lower prices for certified insulin products at the pharmacy counter. In addition, people enrolled in Medicare Part D and commercial insurance plans might have a wider selection of insulin products available at lower cost-sharing amounts because the cap on cost sharing in the INSULIN Act applies to all certified insulin products and because health plans would be required to cover certified products.
- Spending for insulin and other pharmaceutical products would increase, CBO estimates, because overall medication use would increase in response to lower cost-sharing requirements. Some use of insulin might also shift to newer and more expensive insulin products. Increased spending for pharmaceutical products would result in increased spending for health care overall.
- Reductions in spending for medical services stemming from the increased use of insulin and other medications would partly offset the increases from greater spending for insulin products, CBO estimates. That partial offset reflects improved health from increased use of medications, which would reduce spending for medical services such as hospitals' and physicians' services.³

² Cost sharing would also be reduced under the act by a cap of \$35 per month on out-of-pocket payments for certain insulin products for beneficiaries in Medicare Part D and commercial insurance plans.

³ For a related discussion, see Congressional Budget Office, *Offsetting Effects of Prescription Drug Use on Medicare's Spending for Medical Services* (November 2012), www.cbo.gov/publication/43741.

Effect on Net Prices

Net prices for insulin would be higher, on average, under the certification process in the INSULIN Act than under current law, CBO estimates. Certification would be a voluntary process, and CBO expects that manufacturers would certify an insulin product if it was financially advantageous for them to do so. In addition, post-sale rebates would be prohibited for certified insulin products, which would limit insurers' ability to negotiate for lower net prices.

Net prices for certified insulins would also rise because their lower list prices would reduce the statutory discounts in Medicaid and Medicare Part D.

- In Medicaid, net prices—and therefore net spending—for insulin would increase because the reduction in statutory rebates paid for insulin would be larger than the reduction in list prices. That would occur because reductions in list prices tend to reduce both the basic rebate and the inflation-based component of Medicaid's statutory rebate amount.
- In Medicare Part D, lower list prices would lead to smaller discounts paid through the coverage gap discount program. That would occur because of less overall spending in the coverage gap phase of the benefit, in which manufacturers are required to pay a discount equal to 70 percent of the price paid at the pharmacy counter. As a result, manufacturer discounts paid for prescriptions in the coverage gap would fall, which would further increase net prices in Medicare Part D.

Effect on Premiums and Federal Spending

CBO estimates that the certification provision in the INSULIN Act would increase premiums for commercial health insurance and Medicare Part D relative to the projected amounts under current law. Premiums for commercial and Medicare Part D plans would rise because of higher average net prices for insulin products and because of increased use of insulin and other medications. Additional increases in premiums would stem from the increase in plan contributions caused by the required reduction in cost sharing under other provisions of the INSULIN Act.

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Federal spending for health insurance would increase because the federal government subsidizes commercial and Medicare Part D premiums through direct subsidies and through the exclusion from federal income and payroll taxes of most premiums for employment-based health insurance. That increase would be partly offset by the reductions in Medicare spending on medical services stemming from the increased use of insulin and other medications. In addition, the direct cost of the Medicaid benefit would increase because of the reduced rebates.

I hope this information is useful to you. Please contact me directly if you have further questions.

Sincerely,

A handwritten signature in black ink, appearing to read "Phillip L. Swagel", with a long, sweeping flourish extending to the right.

Phillip L. Swagel
Director

cc: Honorable Ron Wyden
Chairman, Senate Committee on Finance

Honorable Mike Crapo
Ranking Member, Senate Committee on Finance