2025 Pre-Filed Testimony

As part of the *Annual Health Care Cost Trends Hearing*

Massachusetts Health Policy Commission
50 Milk Street, 8th Floor
Boston, MA 02109

INSTRUCTIONS FOR WRITTEN TESTIMONY

If you are receiving this, you are hereby required under M.G.L. c. 6D, § 8 to submit written pre-filed testimony for the 2025 Annual Health Care Cost Trends Hearing.

On or before the close of business on **Friday, October 31, 2025**, please electronically submit testimony as a Word document to: HPC-Testimony@mass.gov. Please complete relevant responses to the questions posed in the provided template. If necessary, you may include additional supporting testimony or documentation in an appendix. Please submit any data tables included in your response in Microsoft Excel or Access format.

Your submission must contain a statement from a signatory that is legally authorized and empowered to represent the named organization for the purposes of this testimony. The statement must note that the testimony is signed under the pains and penalties of perjury. An electronic signature will be sufficient for this submission. All submissions are public record and will be posted to the HPC's website.

If you have any difficulty with the template or have any other questions regarding the pre-filed testimony process or the questions, please contact HPC General Counsel Lois Johnson at HPC-Testimony@mass.gov or Lois.Johnson@mass.gov.

THE 2025 HEALTH CARE COST TRENDS HEARING: PRE-FILED TESTIMONY

The Massachusetts Health Policy Commission (HPC), along with the Office of the Attorney General (AGO), holds the Health Care Cost Trends Hearing each year to examine the drivers of health care costs and consider the challenges and opportunities for improving the Massachusetts health care system.

The 2025 Health Care Cost Trends Hearing offers a critical opportunity to discuss the pressing issues challenging the stability and sustainability of the Commonwealth's health care system. These include mounting affordability issues, workforce constraints, financial volatility, increasing prescription drug costs, and threats to health care access and coverage – and the ongoing efforts to address them.

Recent federal action has created uncertainties about the health care landscape in Massachusetts. It will require a renewed commitment among stakeholders and policymakers to work together towards a health care system that is more affordable, accessible, and equitable for all residents. The 2025 Health Care Cost Trends Hearing will convene industry leaders, clinicians, and community members to reflect on recent policy actions and invite further collaborative action in Massachusetts, advancing the Commonwealth's health care goals and values.

Amid the federal activity, Massachusetts is still contending with existing affordability hardships facing the Commonwealth's residents. Massachusetts now has the highest family health insurance premiums in the country. In 2024, the average annual cost of health care for a family exceeded $31,000 (including out-of-pocket spending). As health care spending grows as a portion of household income, more and more families incur medical debt and avoid using needed care. These rates become particularly dire when health care premiums and out-of-pocket spending reach 25% of total income – a reality that 41% of Hispanic families and 26% of black families in Massachusetts faced in 2023 compared to 9% of white families. Furthermore, the average annual cost sharing per person grew from $849 in 2019 to $1,049 in 2023 (a 29% increase), and residents paying $5,000 or more annually in cost sharing doubled from 2019 (1.5%) to 2023 (3.1%).

This is the first hearing since the enactment of two significant health care laws earlier this year (Chapters 342 and 343 of the Acts of 2024), which strengthen the health care market, address rising prescription drug costs, and enhance the public transparency and accountability of the Commonwealth's health care system – including requiring additional health care market participants to provide public testimony. As the HPC, the AGO, and other state agency partners continue implementation of these new laws, the 2025 Health Care Cost Trends Hearing will focus on working together to safeguard the Commonwealth's commitment to health care affordability, access, and equity.

The pre-filed written testimony affords the HPC and the AGO, on behalf of the public, an opportunity to engage with a broad range of Massachusetts health care market participants. In addition to pre-filed written testimony, the public hearing features in-person testimony from leading health care industry executives, stakeholders, and consumers, with questions posed by the HPC's Board of Commissioners about the state's performance under the Health Care Cost Growth Benchmark and the status of public and industry-led health care policy reform efforts.

QUESTIONS FROM THE HEALTH POLICY COMMISSION

1. In recent years, prescription drugs have been a key driver of spending growth in the Commonwealth, consistently growing at a faster rate than the state's health care cost growth benchmark, and contributing to challenges related to health care affordability, medication access, and health disparities among Massachusetts residents.

    a. What policies or strategies should policymakers and/or other market participants consider to (1) provide greater transparency and (2) address the growing cost of prescription drugs in Massachusetts, balancing patient access to needed medications and therapies with the imperative to offer affordable coverage for employers and residents?

Eli Lilly and Company (Lilly) appreciates the opportunity to provide our perspective on the challenges and opportunities for the Massachusetts health care system to the Massachusetts Health Policy Commission (HPC). Lilly is one of the country's leading innovation-driven, research-based pharmaceutical and biotechnology corporations. Our company is devoted to seeking answers for some of the world's most urgent medical needs through discovery and development of breakthrough medicines and technologies and through the health information we offer. Ultimately, our goal is to develop products that save and improve patients' lives.

The most important challenge for policymakers focused on prescription drug access and patient affordability issues is the need to address misaligned incentives in the pharmaceutical payment system. Brand manufacturers offer steep rebates, discounts and other price concessions on medicines to system intermediaries—which often do not pass them along to patients. These concessions result in over half of brand drug spending going to intermediaries rather than manufacturer that researched and developed the medicine.[1] In 2023, rebates, discounts and other price concessions going to plans and PBMs totaled

[1] Berkely Research Group. The Pharmaceutical Supply Chain, 2013–2023. https://www.thinkbrg.com/insights/publications/the-pharmaceutical-supply-chain-2013-2023

$334 billion.[2] Despite this, patients often do not benefit from these significant rebates and discounts in the form of lower out-of-pocket costs for their medicines.

Instead, many patients are forced to pay more out of pocket for their medicines due to the growth of deductibles and the increased use of coinsurance. Patient spending in the deductible or on coinsurance tiers are frequently based on the non-negotiated list price of a drug rather than the post-rebate net price. Deductibles require patients to pay in full for their medicines before insurance coverage kicks in. Coinsurance -- unlike fixed copays –is based on a percentage of the list price.

Massachusetts has already taken important steps to address patient affordability, such as limiting patient cost-sharing burdens for certain medicines.[3] Lilly supports the following additional policies to provide transparency and address patient costs:

Address Perverse Incentives in the Supply Chain that Increase Patient Costs

As mentioned above, patients on brand medicines are exposed to a rising share of out-of-pocket costs at the pharmacy counter despite substantial growth in rebates, discounts, and other price concessions paid by manufacturers to intermediaries in the supply chain. Policymakers should seek reforms that eliminate the perverse incentives in the system for more rebates and discounts to intermediaries – which are often calculated as a percentage of list prices – and allow these price concessions to reach patients directly. Doing so will enable a far more transparent system overall – by addressing the root cause of the gap between gross and net spending and creating the conditions for list prices to come down. Lower prices at the pharmacy counter would also improve outcomes and ensure that patients are benefiting directly from market negotiations.

As a bridge to these systemic reforms, policymakers may also consider measures to bring immediate out-of-pocket (OOP) cost relief to patients by limiting copayment amounts for brand drugs. Such legislation, particularly for specialty medicines, can help address gaps in the current system in parallel with broader supply chain reforms.

Protect Patient Assistance

Commercial health plans increasingly shift the burden of prescription drug costs on to patients by increasing out-of-pocket costs for medicines. Manufacturer cost-sharing assistance helps patients afford their out-of-pocket costs and stay adherent to their medicines. However, programs such as accumulator adjustment programs (AAPs) exclude

[2] Drug Channels, PBM Power: The Gross-to-Net Bubble Reached $334 Billion in 2023—But Will Soon Start Deflating. https://www.drugchannels.net/2024/12/pbm-power-gross-to-net-bubble-reached.html
[3] SB 3012, An Act relative to pharmaceutical access, costs and transparency. Enacted January 9, 2025.

the value of manufacturer cost-sharing assistance from commercially insured patients' deductibles and out-of-pocket maximums. This can ultimately harm patients by creating a "copay surprise" where the patient is unexpectedly exposed to a large cost after the AAP exhausts the coupon. Massachusetts could take action to limit use of these programs to reduce the out-of-pocket burden and create more predictability for patients over the course of the plan year. We encourage the state to focus on protecting patient assistance and directing efforts towards system-wide reforms as outlined above rather than on limited measures, such as HB 1240, that would be largely duplicative and could lead to unintended confusion.

340B Transparency

Massachusetts should also examine the role of the 340B program in raising costs in the state. The 340B program was originally designed to help provide medications for vulnerable populations at significantly reduced prices through safety net hospitals and clinics. However, recent studies have shown that large hospitals and clinics are generating significant profits, in turn driving up costs for patients, payers and the healthcare system as a whole. A recent Congressional Budget Office report found that the 340B program can lead to higher costs, by creating incentives for market consolidation and by shifting patients (and treatments) to more expensive settings of care such as outpatient hospitals.[4] Growth in the 340B program can also divert money away from Medicaid, leading to higher costs for states and the broader healthcare system.[5,6] While the 340B program is an exclusively federal program that requires federal reform, Massachusetts should evaluate the extent to which growth in 340B is also associated with higher overall costs to the state. Improved transparency in this regard could also allow policymakers to reconsider state legislation that unwittingly expands the scope of the 340B program in Massachusetts. For example, Massachusetts could follow the standard set by Minnesota, which requires an annual report analyzing data submitted by covered entities that participate in the 340B program.[7]

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[4] Congressional Budget Office. Growth in the 340B Drug Pricing Program, 2025. https://www.cbo.gov/system/files/2025-09/60661-340B-program.pdf
[5] *Ibid* p. 24
[6] Minn. Dept. of Health. 340B Covered Entity Report, 2024. https://www.health.state.mn.us/data/340b/docs/2024report.pdf
[7] *Ibid*

2. Direct-to-consumer ("DTC") sales of prescription drugs is a growing trend in the United States, enabling pharmaceutical companies to sell their drug products to patients directly or through a third party or government platform, often at discounted prices. If your company currently offers or has publicly announced plans to offer any DTC programs, either directly or through a third-party, for the sale and distribution of any of your prescription drug products, please respond to the following questions:

    a. How do you select the drug products offered in your DTC programs? Which drug products do you offer through your DTC programs and which do you plan to offer?

- LillyDirect, Eli Lilly and Company's direct-to-consumer website, helps people access Lilly medicines, and provides educational resources for individuals living with migraine, memory and thinking issues, sleep apnea, obesity, diabetes, cancer, autoimmune and dermatologic conditions.
- Patients utilizing the self-pay pharmacy channel may access select Lilly medications through LillyDirect with an on-label prescription from an independent prescriber t and receive their medication through specified pharmacy providers. Patients seeking to purchase Lilly medicines using insurance may select a third-party pharmacy of their choice. For eligible individuals living with diabetes, select insulins are available for as low as $35 per month via the LillyDirect website regardless of whether they have commercial insurance or no insurance.
- For obesity care, patients with an on-label prescription can access Zepbound® (tirzepatide) single-dose vials through LillyDirect's self-pay pharmacy channel at transparent, predictable pricing—an option designed for people without insurance coverage or who prefer to self-pay.
- We consider a number of factors when determining which Lilly medicines are offered with self-pay pricing through LillyDirect. Typically, unmet patient needs and the opportunity to simplify access for chronic conditions are key. The goal is to complement—not replace—the traditional healthcare system by removing friction from the care journey and providing more direct, reliable access to authentic medicines.

  We do not have additional information about plans to add new medicines at this time.

    b. For each drug product that you currently sell through your DTC programs, indicate the DTC price for a one-month supply, and the DTC price's percentage

discount off list price (if prices differ by dosage, please respond separately for each).

- Lilly currently offers Zepbound® (tirzepatide) single-dose vials through the LillyDirect self-pay pharmacy channel. A one-month (four-week) supply of Zepbound single-dose vials is offered at transparent, predictable self-pay pricing. These prices represent more than a 50% discount off the list price of other GLP-1 medicines for obesity management. Prices by dosage are:
  - $349 per month for the 2.5 mg recommended starting dose.
  - $499 per month for all other doses (5 mg, 7.5 mg, 10 mg, 12.5 mg, and 15 mg) to access the $499 monthly price for doses higher than 5 mg, patients must meet the requirements for the Zepbound Self Pay Journey Program, including a 45-dayrefill schedule designed to support continuity of care and access, subject to applicable terms and conditions.
- Lilly also offers additional medicines including Humalog®, Humilin®, Basaglar®, Lyumjev®, and Rezvoglar® insulins and Emgality® via the LillyDirect website. For patients with insurance coverage, the exact cost of the medication depends on many factors, including insurance coverage, pharmacy pricing, and any savings program that may apply.

c. Please describe any eligibility requirements that consumers must meet to purchase drug products through your DTC programs, and which payment methods your programs accept or will accept, including cash pay, insurance, FSA/HSA accounts, and other payment methods.

- Through LillyDirect, patients can access select Lilly medicines when prescribed by a licensed, independent healthcare provider. To be eligible to purchase a medicine through LillyDirect, a patient must:
  - Have a valid, prescription from a licensed healthcare professional.[8]
    - LillyDirect does not provide medical care or prescribing services; it connects patients to independent in-person or telehealth providers who exercise autonomous clinical judgment in evaluating and managing care. However, any licensed prescriber, not only those listed as patient options on LillyDirect, can submit prescriptions through LillyDirect pharmacies for fulfillment.

[8] An on-label prescription is required for certain medicines

- Medicines are dispensed through third party pharmacies, which engage in a multi-step verification process to ensure prescriptions are valid and that authentic medicine is dispensed appropriately for labeled indications.
- LillyDirect does not support compounded versions of Lilly medicines.
- LillyDirect offers multiple options to make access flexible and transparent:
    - Self-Pay / Cash Pay: The LillyDirect Self Pay Pharmacy Solutions channel provides transparent, predictable cash pricing for Zepbound single-dose vials, without requiring insurance.
    - Insurance: The LillyDirect website provides information about how to purchase Lilly medicines through third party pharmacies using insurance and potential Lilly savings offers. Patients will pay the co-insurance set by their insurer, not a Lilly self-pay price.
    - FSA/HSA and Other Payments: LillyDirect's dispensing pharmacies accept standard U.S. payment methods, and many support FSA or HSA account payments, consistent with their policies for prescription transactions.

d. Please describe any prescriber consultations that you facilitate, either directly or through a partnership with a provider organization, for consumers seeking to purchase a drug product through your DTC programs.

- Lilly does not provide medical consultations or prescribing services through its direct-to-consumer (DTC) program. LillyDirect provides information to help patients find or connect to independent, licensed healthcare providers—either in-person or via telehealth—who have expertise in evaluating patients for certain chronic conditions. The patients may not receive any prescriptions for medications. These providers operate autonomously and exercise independent clinical judgment; Lilly neither influences nor incentivizes prescribing decisions. To be clear, any licensed prescriber can submit prescriptions for medications through the LillyDirect fulfillment channels, not only those providers listed as patient options on LillyDirect.
- LillyDirect offers, as an optional resource, a link to the Healthgrades search tool for in-person care, as well as to established independent telehealth offerings, including 9amHealth, Cortina Health, Cove, Form Health, HealthTap, Isaac Health, Ognomy Sleep, Synapticure, and Knownwell. Each independent healthcare organization manages its own patient intake, consultations and follow-up care in compliance with applicable laws and professional standards.

3. Massachusetts now has the highest family health insurance premiums in the United States. In 2024, the average annual cost of health care for a family exceeded $31,000 (including out of pocket spending). This reflects the growth in underlying health care costs. As health care spending grows as a portion of household income, more and more families incur medical debt and avoid using needed care. Collaborative, urgent action across market participants is needed to reverse these trends. How can your organization contribute to this effort?

Lilly is committed to equitable and affordable access to our medicines so that our innovations can transform more people's lives. For years, Lilly has implemented multiple insulin affordability solutions, including our Lilly Insulin Value Program to reduce patient out-of-pocket costs. As a result of our efforts, anyone—whether they are uninsured or use commercial insurance—is eligible to buy their monthly prescription of Lilly insulin for $35 or less, regardless of the number of pens or vials they are prescribed in a month.[9] In 2023, Lilly automated its $35 out-of-pocket monthly cap for people with commercial insurance at participating retail pharmacies, which were approximately 85 percent of pharmacies nationwide at launch.[10] In 2024, the average monthly out-of-pocket cost for Lilly insulins was $14.86—a 62 percent decrease since 2017.[11]

Lilly also donates medicines to charitable organizations such as the Lilly Cares Foundation, an Indiana nonprofit corporation separate from Lilly, established in 1997, that is recognized by the Internal Revenue Service as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. Lilly Cares provides Lilly medications for free to qualifying patients.[12] Patients in households with annual adjusted gross incomes of up to 400 percent of the federal poverty level are currently eligible for free insulin through Lilly Cares (currently $62,600 for an individual or $128,600 for a family of four).[13]

MassHealth receives substantial rebates for Lilly products paid under the Medicaid Drug Rebate Program ("MDRP").[14] According to MACPAC analysis of fiscal year 2020 data, brand-name drugs averaged total rebates of 61.6 percent, consisting of a basic rebate averaging 38.3 percent and inflation-related rebates averaging 23.3 percent.[15] Furthermore, Lilly offers supplemental rebates to Massachusetts and other state Medicaid programs,

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[9] Lilly. Lilly Insulin Value Program. https://insulinaffordability.lilly.com/ (terms and conditions apply).
[10] Lilly, 2024 Sustainability Report 39 (2025), available here.
[11] *Ibid* at 40
[12] Lilly Cares Foundation. Available Medications. https://www.lillycares.com/available-medications
[13] Lilly Cares Foundation. https://www.lillycares.com/how-to-apply#check-eligibility
[14] The Medicaid rebate formula ensures that state Medicaid programs, including the Massachusetts Medicaid Program, access the Medicaid Best Price, i.e., the lowest price available to most other purchasers.
[15] Medicaid and CHIP Payment and Access Commission (MACPAC). Trends in Medicaid Drug Spending and Rebates. October 2022. https://www.macpac.gov/publication/trends-in-medicaid-drug-spending-and-rebates/

guaranteeing an affordable net unit price for Massachusetts Medicaid beyond that which is required under the MDRP.

Lilly has historically worked closely with MassHealth and we continue to work with the Governor and the legislature on several important issues, including 340B, and are grateful for our continued collaboration. Lilly has invested over $700 million in Massachusetts, with plans to create more than 500 new jobs through its state-of-the-art facility, Lilly Seaport Innovation Center (LSC). We stand ready to partner with the Health Policy Commission on any of the policies we have identified in our testimony.

I respectfully submit the above responses on behalf of Eli Lilly and affirm that the facts contained in the preceding responses are true to the best of my knowledge. This document is signed under the pains and penalties of perjury. I have relied on others in the company for information on matters not within my personal knowledge and believe that the facts stated with respect to such matters are true.

Sincerely,

Derek L. Asay
Senior Vice President,
Government Strategy and Federal Accounts