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October 31, 2025

David Seltz
Executive Director
Health Policy Commission
50 Milk Street, 8th Floor
Boston, MA 02109

Dear Executive Director Seltz:

On behalf of Optum Rx, attached please find our response to a request to submit pre-filed testimony by the Health Policy Commission and the Attorney General's Office, in preparation for the upcoming public hearing on health care cost trends.

I, Kathryn Carey, depose and state under penalty of perjury the following: I am President, PBM, Optum Rx. I sign the attached responses for and on behalf of Optum Rx and am duly authorized to do so. I attest that the factual statements set forth in the foregoing responses are true and accurate to the best of my knowledge. The facts stated in these responses are not all within my personal knowledge, and those facts which are not within my personal knowledge have been assembled by authorized Optum Rx employees and/or counsel, and I am informed and believe that they are true.

Please let me know if we can be of further assistance.

Sincerely,

Kathryn Carey

Katte Carey
President, Optum Rx PBM

MASSACHUSETTS
HEALTH POLICY COMMISSION

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 does your organization recommend (e.g., by policymakers and by other market participants such as pharmaceutical manufacturers, health plans, and providers) to provide greater transparency and 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?

Our Company's role as a pharmacy benefit manager (PBM) is to ensure patients have access to the safe and effective prescription drugs they need while managing the cost of those drugs. Rising drug prices set by pharmaceutical manufacturers are causing affordability issues for patients and payers alike. PBMs act as a counterweight to the substantial market and pricing power of drug manufacturers, which have sole discretion in setting prices for their products. More than 5,000 payer customers of all sizes – from local businesses and national companies to unions, labor groups, and public sector organizations – contract to receive the benefit of our negotiations with drug manufacturers and prescription benefit management tools so that they can control medical and pharmacy benefit costs for their employees and members.

Optum Rx strongly supports actionable, client-facing transparency that helps our customers understand both how their pharmacy dollars are being spent and the value PBMs bring to the healthcare system. This support is evidenced by the multitude of contracting, payment, and reporting models that Optum Rx has and will continue to develop – models that give customers insight and control into how their pharmacy benefit is managed. As an example, Optum Rx is the first PBM to commit to passing through 100% of drug rebate discounts negotiated with pharmaceutical manufacturers to clients no later than January 1, 2028.

We are also supportive of actionable transparency to consumers and health care providers. Decision tools like PreCheck MyScript, MyScript Finder and Price Edge are all examples of how data can help ensure that patients receive the right drug, for the right price, at the right time.

- Optum Rx PreCheck MyScript provides patient-specific cost and coverage data at the point of care, giving providers and patients the information needed to make an informed prescribing decision together. For example, the tool displays actual cost information for a patient based on their plan design and where they are in their deductible. PreCheck MyScript also shows which medication options require prior authorization and allows the provider to submit the prior authorization directly within the tool, saving valuable time and avoiding unnecessary paperwork.

• Optum Rx MyScript Finder allows members to see the price of their prescribed medication as well as pharmacy and medication alternatives that may save them money. All medication information in the tool is benefit-specific, so members know exactly what their out-of-pocket costs will be for a given medication based on whether they have met their deductible. MyScript Finder also enables a member to compare prices at in- or out-of-network pharmacies or through Optum Home Delivery Pharmacy or Optum Specialty Pharmacy, if available.

• Optum Rx Price Edge compares all available direct-to-consumer pricing for traditional generic drugs with insurance pricing to ensure members get the lowest prescription drug price. Price Edge scans available prices on generic drugs and provides the lowest available pricing to the member. If there is a lower cost to the member outside of their insurance benefit, Price Edge automatically applies that price. Unlike other direct-to-consumer pharmacy solutions or cash market pricing, transactions initiated through Price Edge count toward the member's deductible and out-of-pocket maximum. Additionally, by capturing all transactions within the member benefit, Price Edge maintains continuity of safety protocols and safeguards against contraindications between medications.

State policymakers can support PBMs' ability to bring drug costs down by:

• Focusing on the cause of prescription drug affordability issues which is the high drug prices manufacturers set and raise.
• Encouraging innovation and competition in the market by allowing PBMs flexibilities to problem solve.
• Supporting the Employee Retirement Income Security Act (ERISA) and its role in promoting uniform administration of benefits across state lines.
• Preserving the full suite of PBM tools and programs that plan sponsors can choose from to manage the pharmacy benefit most effectively.

b. Biologic drugs represent a large and growing share of prescription drug spending in Massachusetts. The introduction of biosimilars has the potential to lower spending and increase access to these medications. Please describe your approach to incorporating biosimilars on your formularies in Massachusetts. In addition, please identify the biosimilar products marketed by your affiliated private labeler and discuss how your private label products are incorporated on your formularies in Massachusetts. What barriers limit biosimilar uptake, and what state policies would you recommend to bolster biosimilar uptake and reduce spending?

Optum Rx stands behind market competition and the impact it has on market pricing. After clinical review, we support biosimilars and the value that they provide patients with safe and effective lower-cost alternatives to biologics. However, maximizing the savings offered by

biosimilars can only happen with increased uptake by patients. An increase in patients using biosimilars is impacted by the biosimilar's status as interchangeable. In order for a biosimilar to be substituted for the original biologic product without consulting the prescriber, the biosimilar must be deemed interchangeable by the FDA. Currently, biosimilars must meet strict legal requirements to be approved by the FDA as interchangeable, but the FDA has indicated that it is considering recognizing all biosimilars as interchangeable biosimilars. Optum Rx supports expansion of biosimilar interchangeability because it enables an easier, less disruptive and safe transition from expensive biologic products to lower cost alternatives. Under current Massachusetts law, a pharmacist dispensing a prescription for a biological product prescribed by its trade or brand name may substitute an interchangeable biological product unless the prescriber instructs otherwise in writing on a patient-specific basis.

Optum Rx has embraced the value of biosimilars growth from the beginning. In 2023, Optum Rx was the first pharmacy benefit manager to add a Humira biosimilar to its formulary at the same tier or "parity" as the biologic, and the first to include both the high-list and low-list options, to drive competition and lower overall costs for patients and plans.

Since 2023, the biosimilar market has grown substantially, resulting in the availability of numerous lower cost biosimilars. This enables Optum Rx to achieve even lower costs for clients and patients than we were able to achieve in prior years. Starting July 1, 2025, Optum Rx removed Humira and Stelara from some preferred formularies. Optum Rx formulary coverage now favors biosimilars Amgen's Amjevita and the private-label adalimumab biosimilar from Nuvaila. Amjevita offers savings of up to 83% off the Humira list price. And with added copay support, patients may have copays as low as $0 with either drug, depending on plan design. Further, the launch of Wezlana, the first interchangeable biosimilar for Stelara (ustekinumab), offers an opportunity to deliver additional savings. Starting January 1, 2025, Nuvaila provided exclusive access to Wezlana at an almost 80% discount to Stelara, which enabled immediate savings for clients. For both Amjevita (adalimumab) and Wezlana (ustekinumab) biosimilars, clients have access to two biosimilars and are able to choose between products depending on their needs.

2. 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?

In 2023, the median annual list price for a new medicine was $300,000, a 40% increase from 2021.[1] While many new medicines may bring clinical benefit to patients, their skyrocketing prices make it difficult for payer customers to offer affordable prescription drug coverage to their employees and members. Optum Rx aggressively negotiates with drug manufacturers to secure the lowest net cost for our customers to enable them to control costs for their employees and members. Our negotiated discounts and clinical tools deliver more than $2,000 per person in average annual drug savings. An economic analysis from the University of Chicago concluded that without these PBM negotiations with manufacturers, the cost of drugs would be even higher. In fact, the authors found that PBMs save the healthcare system $145 billion annually.[2] Our customers rely on our essential services, the options we provide, and these material drug cost savings to control medical and pharmacy benefit costs for their employees and members.

PBMs are the only entity in the prescription drug supply chain incentivized to reduce drug costs. Although more than 90 percent of prescriptions are for low-cost generics, often without rebates[3], negotiated discounts are the only check on manufacturers' pricing power for most branded drugs. A PBM's job is more difficult when there is no competition between manufacturers for a particular therapeutic class. Using various loopholes in the current patent system, manufacturers extend exclusivity for drugs and limit product competition for decades, amounting to government-granted monopolies.

The role of the PBM is more important than ever in the age of exceptionally high-priced specialty drugs, a large and growing segment of the prescription drug market in which competition is lacking, and there is a lack of discounts from many manufacturers. For example, two frequently prescribed specialty biologics with indications for Lupus and oncology – Benlysta®, manufactured by GlaxoSmithKline, and Keytruda®, manufactured by Merck – have annual costs of approximately $54,000 and $120,000 per patient, respectively. Neither manufacturer offers Optum Rx rebates for these medications, yet each product has seen a roughly 30 percent price increase since launch. These high and growing prices set by drug manufacturers present significant challenges to managing the pharmacy benefit so that our customers and consumers have affordable access to clinically appropriate medicines.

While negotiating for discounts on these expensive branded drugs is a vital role, it is only one of the ways we work to ensure people have access to the most affordable medicines. Optum Rx helps manage health care spending through a multi-pronged strategy that combines

[1] "Prices for new US drugs rose 35% in 2023, more than the previous year," Reuters, February 23, 2024. Available at: https://www.reuters.com/business/healthcare-pharmaceuticals/prices-new-us-drugs-rose-35-2023-more-than-previous-year-2024-02-23/

[2] "The Value of Pharmacy Benefit Management," Casey Mulligan, July 2022. Available at: https://bfi.uchicago.edu/wp-content/uploads/2022/07/BFI_WP_2022-93.pdf

[3] "The Use of Medicines in the U.S. 2024," IQVIA Institute for Human Data Science, May 2024. Available at: https://www.iqvia.com/insights/the-iqvia-institute/reports-and-publications/reports/the-use-of-medicines-in-the-us-2024

clinical innovation, pricing transparency, and benefit optimization. Some key prescription benefit management tools we offer include:

- Targeted solutions to optimize how pharmacy benefits are structured such as the Specialty Standards Program to focus on unnecessary dispensing of high-cost specialty medications and encourage use of lower-cost clinically-equivalent alternatives and the Value Management Program to address risks and costs associated with patients taking five or more medications for chronic conditions.
- Innovative pricing models to give plan sponsors more control and predictability including models that promote shared savings and value-based spend such as Clear Trend Guarantee™ and models with increased transparency such as Cost Made Clear Solutions which offers pass-through with cost-plus pricing.
- Programs to reduce waste and improve outcomes using data and clinical insights such as the Vigilant Drug List that removes low-value drugs from the formulary and Copay Card Solutions to provide immediate savings on specialty medications.