

Vermont State Employees' Association

Testimony on H.233

February 15, 2024

For the record, my name is Adam Norton. I am the Strategic Analyst for the Vermont State Employees' Association.

VSEA thanks the committee for the opportunity to testify on this important legislation and appreciates the committees' work on reforming PBM's with a view towards making prescription drugs more affordable for Vermonters.

VSEA members deeply value their high-quality, collectively bargained health plans. These health plans, primarily SelectCare, cover 25,000 state employees, retirees and their dependents. State employees have experienced a 37% increase in premiums over the past three years, and the plan reserve is currently in deficit. Given that context, there are two provisions of H.233 that cause concern for VSEA members, as they would add to already untenable premium pressure.

The first provision causing VSEA concern is found on page 11, section 2, lines 7-13:

2) As used in subdivision (1)(A) of this subsection (e), the "cost sharing amount under the terms of the health benefit plan" shall be calculated at the point of sale based on a price that has been reduced by an amount equal to at least 100 percent of all rebates received, or to be received, in connection with the dispensing or administration of the drug. The pharmacy benefit manager shall pass on any remaining rebate amount in excess of the covered person's cost-sharing amount to the health benefit plan to reduce premiums.

These PBM rebates are currently received by the health plan and used to mitigate premium increases for VSEA members and the State of Vermont. VSEA members are well protected from the high out-of-pocket costs common of many health insurance plans, with a collectively bargained out-of-pocket maximum for prescriptions of \$800 annually for individuals and \$1,600 for couples and families. This provision of law would direct those rebates away from the health plan and toward the small number of individuals using specialty drugs, at the expense of increasing premiums for all plan members. VSEA members cannot afford any increase in pressure on premiums beyond the substantial pressure already resulting from exorbitant increases in hospital and drug prices and would request an exemption from this provision for the state health plan.

The second provision of concern is found on page 22, subsection e, which reads:

(e) A pharmacy benefit manager shall not reimburse a pharmacy or pharmacist in this State an amount less than the amount the pharmacy benefit manager reimburses a pharmacy benefit manager affiliate for providing the same pharmacist services. The reimbursement amount shall be calculated on a per-unit basis based on the pharmacy's actual acquisition cost and shall include a professional dispensing fee that shall be not less than the professional dispensing fee established for the Vermont Medicaid program by the 16 Department of Vermont Health Access in accordance with 42 C.F.R. Part 447.

This section would significantly increase dispensing fees paid to pharmacies at a time when the state health plans have no capacity to afford such an increase. VSEA again seeks an exemption from this

provision but would be happy to work with the committee to study the issue further. VSEA members value our local pharmacies, however in the absence of reforms which would mitigate premium increases in the short-term, such as a prescription drug affordability board or reference-based pricing for hospital services, VSEA is unable to support these provisions.

The two provisions highlighted above would add millions of dollars of increased premium pressure on VSEA's health plans at a time when we can least afford them. For that reason, VSEA is respectfully seeking exemptions from both those sections of the law for the state health plan. VSEA thanks the committee for the opportunity to testify on this important legislation and looks forward to working with the committee on reforms to make health care more affordable for all Vermonters.

Thank you,

Adam