



BlueCross BlueShield of Vermont

An Independent Licensee of the Blue Cross and Blue Shield Association.

To: Senate Health and Welfare Committee

From: Cory Gustafson, Director, Government and Public Relations

Date: February 23, 2016

Subject: Vermont Single Formulary

The following is an outline of the issues with a single Vermont formulary and why it was not adopted when the legislature considered it a few years ago.

Commercial health plans and Medicaid have different economics when it comes to buying drugs. For commercial plans, generic drugs are the least expensive option. For this reason, we build our formulary to encourage the use of generic drugs. This has been successful as can be seen by the fact that 85% of BCBSVT's scripts are now for generic drugs. It was below 60% in 2008. Each 1% increase in the use of generic drugs results in 2.3% in savings of drug costs for BCBSVT (~\$3.45M), conversely of course, decreases in generic use would increase drug costs by the same factor.

Medicaid on the other hand, receives large supplemental rebates on brand drugs which lowers the cost for many brand drugs below the cost of generic drugs for Medicaid. Therefore, their formulary is built to encourage the use of those less expensive brand drugs.

If we both had to use one formulary, then Medicaid could lose millions of in rebates or BCBSVT would see its generic use rate fall which would increase our costs by millions of dollars.

The other issue is that the single VT formulary would still not apply to Medicare Part-D plans. Since Medicare Part-D represents a huge portion of all prescriptions, then doctors will still have to check multiple formularies which means there won't be a large reduction in the administrative burden. Plus, all of the doctors along the borders will still have to check all of the formularies of payers from other states. Therefore, a single VT formulary would cause a large increase in pharmacy costs for all payers and won't have a large reduction in the administrative burden on doctors.

For these reasons, the committees did not pursue legislation to create the single VT formulary.

Having said all of that, there is some overlap in the current formularies of the commercial payers and Medicaid. A student from the Albany College of Pharmacy took a look at it to see where there is some overlap. She came up with a list of drugs that were on each of the payers formularies and called it the Vermont Common Formulary. The idea is that if doctors prescribed from that list of drugs, then they would be OK with BCBSVT, MVP and Medicaid's formularies

without disrupting the underlying economics of each of the individual formularies. The outstanding issue would be keeping the Vermont Common Formulary updated and distributing it to the doctors in a format they find usable. The Vermont Medical Society is exploring the possibility of handling the updating and distribution for it.