

Vermont Legislative Joint Fiscal Office

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S.175 DISCUSSION DOCUMENT

Prepared for the House Health Care Committee
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S.175 – An act relating the wholesale importation of prescription drugs into Vermont, bulk purchasing, and the impact of prescription drug costs on health insurance premiums

The purpose of this document is to discuss the potential savings from a program that allows for the direct purchase of prescription drugs from Canada as proposed in S.175 which proposes to establish wholesale importation of prescription drugs from Canada into Vermont. To get a sense of potential savings we attempted to analyze what the State Employee and the Vermont Education Health Initiative (VEHI) plans spend for the purchase of selected prescription drugs and how much these plans could potentially save under such a program.

We were only able to obtain data regarding Rx prices and spending for the VEHI plan.¹ Therefore, the information below applies only to the potential cost differences between what the VEHI plan paid (after rebates) for a one year period (October 2016 to September 2017) for a sampling of specified drugs (and dosages) and the estimated cost if the same drugs were purchased in Canada. Keep in mind this is a sampling of specifically selected drugs for a single program (VEHI). It does not include other commercial insurance, Medicare, or Medicaid. The analysis also does not take into consideration the potential costs for administration, distribution, compliance or other issues related to implementation or operations of such a program.

Methodology and Caveats:

- Spending and utilization data is for the one year period October 2016 to September 2017.
- Cost estimates include the impact of rebates and are the net overall cost (before co-pays).
- Canadian prices are point in time data using data from the Governments of Saskatchewan² and Alberta³ websites (November 2017).
- Canadian cost estimates include an estimated dispensing fee and 2% mark-up by pharmacies to the Canadian prices.
- In most cases, there were several different versions and/or dosages of the same drugs. The following are the aggregated costs and estimates. For instance, the estimates for Januvia are the aggregate of eight different versions (with separate national drug codes (NDCs)).
- The United States uses National Drug Codes (NDC) while Canada uses Drug Identification Numbers (DIN). We were unable to obtain a crosswalk between the two and as such we've matched the specific drugs/packages to the best of our abilities.
- In some instances the drugs may have been cheaper to purchase in the US than in Canada. The estimates below only capture the differences where it was cheaper to buy a drug in Canada than in the US since it is assumed that the program will buy in the country with the lowest price.

¹ The State Employee Plan uses Express Scripts (ESI) which denied our request for data saying the data was proprietary.

² <http://formulary.drugplan.ehealthsask.ca/Default.aspx>

³ <https://idbl.ab.bluecross.ca/idbl/load.do>

- This analysis does not include any additional administrative costs that could be associated with import, distribution, compliance, etc.
- This analysis compared brand name drugs only and did not cost out generic equivalents.
- Canadian prices were converted to US dollars using the average currency rates for a one year period (11/21/16 to 11/21/17).⁴
- This analysis does not include “biologics.” A wholesale prescription drug importation program based on the provisions of 21 U.S.C. § 384 could not include importing biological products from Canada because they are expressly excluded (along with controlled substances, IV drugs, and certain other products) by that law’s definition of a prescription drug.

The following is a preliminary analysis for selected drugs using data currently available:

Rx	Est. VEHI Cost	Est. Canadian Cost	Difference
Epipen	\$110,278	\$44,885	(\$65,393)
Januvia	\$350,628	\$89,197	(\$261,431)
Metformin	\$99,614	\$18,436	(\$81,179)
Novolog	\$294,651	\$39,179	(\$255,472)
TOTAL	\$855,171	\$191,696	(\$663,475)

Note: total VEHI Rx spending in FY 17 was approximately \$40.7 million, not including Medicare Part D beneficiaries.

Other Considerations

- These estimates do not include the potential costs of creating and implementing an administrative structure (which could include shipping, importing, labeling, compliance, etc.).
- Implementation of a wholesale prescription drug importation program would require the State to become or contract with a wholesale distributor and receive approval from the Secretary of the U.S. Department of Health and Human Services pursuant to 21 U.S.C. § 384. Under that federal statute, the Secretary was supposed to promulgate regulations allowing pharmacists and wholesalers to import prescription drugs from Canada; to our knowledge, those regulations have never been promulgated and no such approval has been granted to date.
- If such a program were created, potential utilization by pharmacies is unknown. For instance, there is a possibility that larger pharmacies with large market shares in the state, like Walgreens, may or may not utilize such a program, which could impact overall savings.
- Other barriers may exist. For instance, pharmaceutical companies in the past have sought to impede foreign pharmacies from selling to Americans by tightening oversight over their wholesale distribution.⁵

⁴ This analysis used the Canadian Foreign Exchange Services website: <http://www.canadianforex.ca/forex-tools/historical-rate-tools/historical-exchange-rates>

⁵ Peral, E. A. *FDA Regulations on the Importation of Prescription Drugs: Opportunities and Barriers to Legal Importation*. Health Law and Policy Brief. Vol 3 (1). December 9, 2013. <http://digitalcommons.wcl.american.edu/cgi/viewcontent.cgi?article=1094&context=hlp>