

Memorandum

To: Senator Ayer, Chair of the Senate Health and Welfare Committee

From: Mary Kate Mohlman, Director of Health Care Reform

Re: Amended language to S. 175, An act relating to the wholesale importation of prescription drugs into Vermont, bulk purchasing, and the impact of prescription drug costs on health insurance premiums

Date: January 31, 2018

Please see attached language for recommended amendments to S. 175, *An act relating to the wholesale importation of prescription drugs into Vermont, bulk purchasing, and the impact of prescription drug costs on health insurance premiums*. This amended language refers to the importation (Section 1) and bulk purchasing (Section 2) proposals of the bill and is in line with the Administration's stated position.

The goal of increasing the affordability of health care costs and prescription drugs is among the Administration's top priorities, and we appreciate the opportunity to advance this agenda through collaboration with the Legislature. However, as stated in testimony and in communications with the Senate Pro Tem Office, we want to make sure we are addressing important questions to avoid any unintended consequences. For example, Vermont Medicaid through the federal Medicaid Drug Rebate Program and the Sovereign States Drug Consortium, which negotiates for nearly 5 million lives, has successfully pursued rebates that have helped keep prescription drug expenses low for our publicly-funded drug benefit programs. At this time, we do not know how the proposals in S. 175 will impact these rebates, or if the proposals in S.175 will provide better net prices. Additionally, the operational costs of Sections 1 and 2 need to be evaluated to determine any impact on the cost of drugs to individuals or to the state budget.

Regarding the bulk purchasing proposal, S. 175 currently identifies the Vermont Department of Health as the organization responsible for implementing bulk purchasing. As stated in its testimony, the Department of Health lacks the capacity, resources, or expertise to implement Section 2 of the bill.

Based on the above concerns, the Administration recommends amending the language in the Section 1, the importation proposal, to specify that any plan and request for certification from the U.S. Secretary of Health and Human Services to permit pharmacists and wholesalers to import prescription drugs from Canada to Vermont be predicated on the feasibility and demonstrated benefit of the plan. Secondly, we recommend for Section 2 that the bulk purchasing program be reviewed by the Vermont Agency of Human Services to determine the feasibility and benefit of the program, identify a negotiating and acquisition entity, and to administer such a program should it prove feasible.

We appreciate the desire to move swiftly on this bill; we also urge the Legislature to consider the complexity of this topic. Improving the affordability of health care and prescription drugs is an important goal, and we need to ensure that the actions we take will accomplish this without unintendedly increasing costs elsewhere.

We offer this proposal in the interest of making progress cooperatively on S. 175. We will make ourselves available to come before the Committee should the Committee wish it.