

H 785 and the Need for Perspective

Testimony Jeff Hochberg

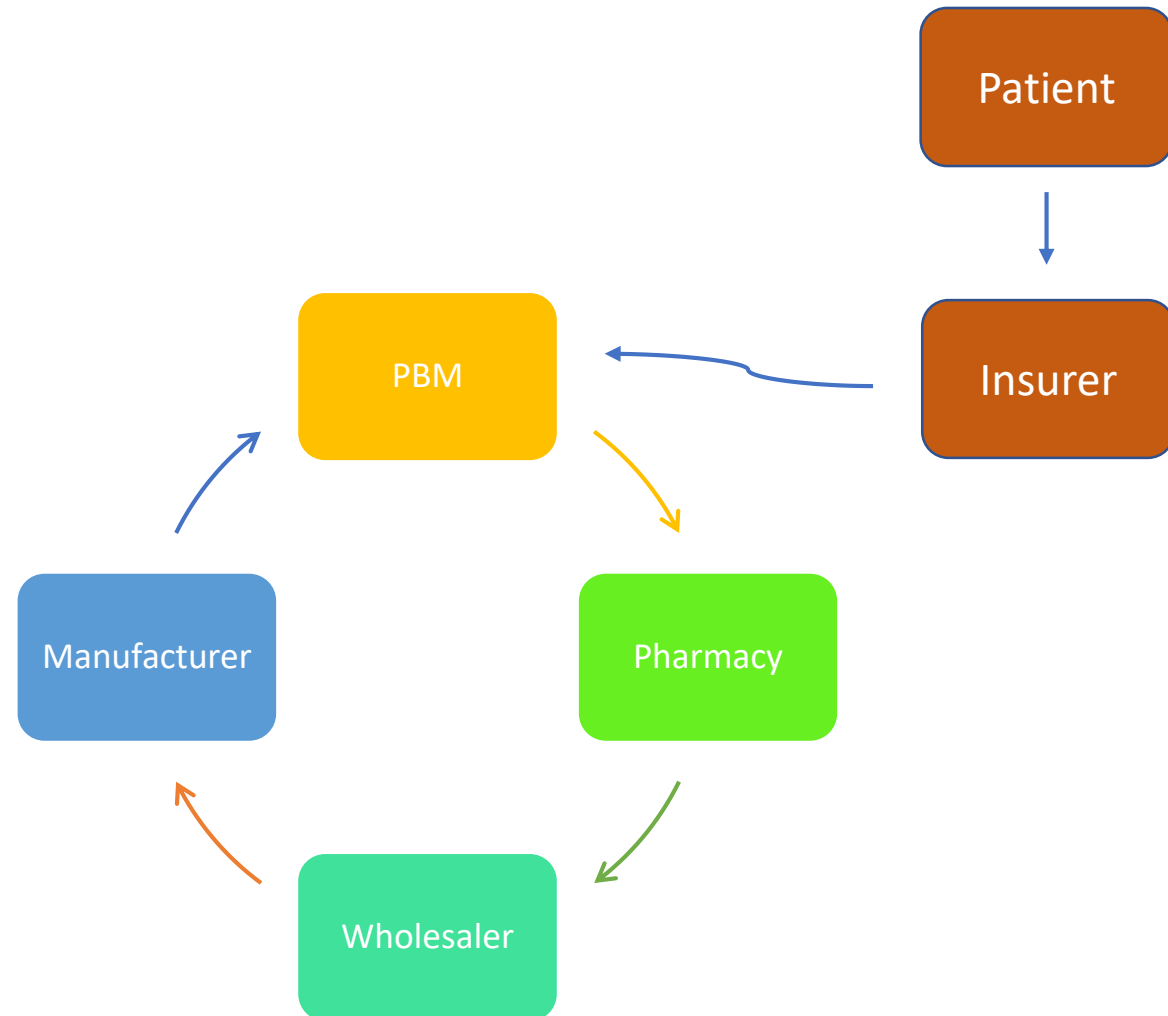
1/24/2020

Summary:

- The VRD fully supports the State's initiatives to lower prescription prices and we believe that H 785 is a great approach. The task of improving Outcomes, lowering Costs, and improving Access has never been more challenging. The time has come to rewrite the fundamentals of an overly complex and expensive system. To do so, we must achieve a new sense of perspective so that we can better control and monitor our continual efforts. Such an ability would greatly benefit H 785 and would also provide a path forward to several other "Triple-Aim" proposals.

Current Pharmacy Revenue Path

- Overly complicated
- Lacking any sense of Transparency
- At least 5 inflation steps:
 1. Manufacturer sells product to Wholesaler (WAC – Wholesale acquisition price or list price);
 2. Wholesaler sells to Pharmacies (Invoice price);
 3. Pharmacy dispenses drug to Patients and paid by PBM (Retail Price);
 4. PBM charges Insurer (Plan Drug Spend);
 5. Insurer charges Patient (Premium);
- Complete disassociation from true costs and drug product



The System is Broken

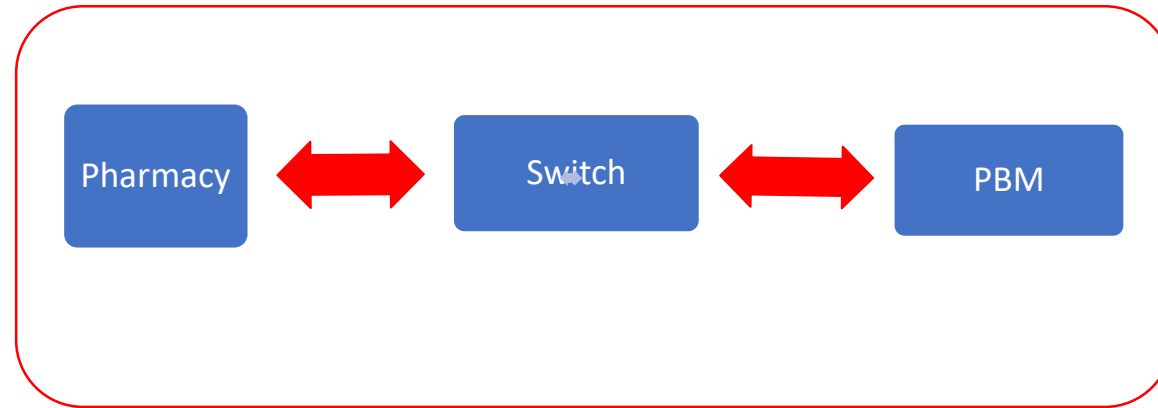
- PBMs are exerting far too much control over prescriptions drugs and have little to NO regulatory oversight
- There is NO transparency in the System
- There is NO effective financial regulation of the System
- There are potential Consumer Fraud issues
- There is No ability to fully monitor the effectiveness and impact of programs
- Corporate monopolization of the System is rapidly growing
- Patient Costs are Rising; Access is Declining; and Demographic Needs are Increasing.

Data and its Power

Manufacturers want two things:

1. Market presence – “Formulary Status”;
2. Utilization data – NCPDP data.

Switch Companies and Data Miners



The Switch facilitates the claim adjudication process between the Pharmacy and the PBM. Each transaction carries a cost ranging from \$0.03 to \$0.15 per transmission. *For a similar price this data can be purchased by Data Miners (*with contractual consent).

How data could be better utilized:

- Expand the functionality of VPMS and remove dependence from Pharmacy “uploads”
- Give VITL ability to incorporate prescription information into the EMR
- Use data to enhance negotiations with Drug Manufacturers
- Data can be analyzed to provide “missing” information from Insurer and PBM reports
- Data will also serve to evaluate the efficiency Drug Formularies
- Data can create continual Revenue stream for State

340B: Focus on Brand Names

- Large discounts exist on Brand Name Drugs which represent 80% of total Drug Spend.
- Without full knowledge of Supplemental Rebates it remains difficult to evaluate.

Comparison NADAC to 340B (as of 1/15/2020)

Drug	NADAC	Current 340B
Humira (pen) *Specialty	\$2707.80038	\$0.01
Epclusa (tab) *Specialty	\$867.75000	\$189.4518
Lantus Solostar (ML)	\$27.24101	\$0.03
Advair HFA 230 (ea)	\$330.55	\$0.08
Suboxone Film	\$8.61537	\$0.6870
Eliquis	\$7.53546	\$1.4637
Dexilant	\$9.03303	\$0.0097
ProAir HFA (ea)	\$64.18	\$0.0900
Victoza (pen)	\$295.57	\$15.1850

Where to turn:

- Wholesalers
 - Know true manufacturer price
 - Collect rebates from manufacturers
 - Big 3 Effectively set NADAC price
 - Have knowledge of EVERY transmitted prescription claim
 - Provide payment reconciliation platforms for pharmacies
 - Have programs that automate pharmacy inventory and ordering
 - Manage 340B programs
 - Contract with PBMs for Commercial Networks and Med D Networks on behalf of Pharmacies (PSAO)
 - Work internationally
 - Pick/Pack/Ship DAILY to every pharmacy in State
 - Are properly regulated by OPR/BOP/FDA/DEA
 - Have the lowest unit costs for drugs in supply chain

A Partnership Approach

- Eliminates nearly all inflationary steps for the State Payer effectively equating “Plan Drug Spend” (#4) to “Wholesaler Acquisition Cost” (#1)
- Positions State to best adapt to industry disruptions and opportunities
- Reduces cash flow liability of State Payer
- Increases negotiating power of partnered Wholesaler with addition of “government authority”
- TRANSPARENCY
- Lowers overall pharmacy cost of constituents
- Enhances pharmacy’s ability to contribute toward “Triple Aim” by removal from “pay for product model”
- Encourages Local Economic Growth and Stability
- Creates continual Revenue stream with Data
- Positions State to BEST leverage Manufacturers

State as Health HUB

- VT will have necessary Data to effectively administer Rates
- VT will have ability to expand the foundation of this into almost every avenue of Prescription Drugs
- Most Importantly;
**THIS CAN COEXIST
WITHIN THE CURRENT
MODEL**

