



Jeff Hochberg  
President Vermont Retail Druggists  
House Healthcare Committee  
Testimony Supplement 2.7.2020

# Data Provides Clarity

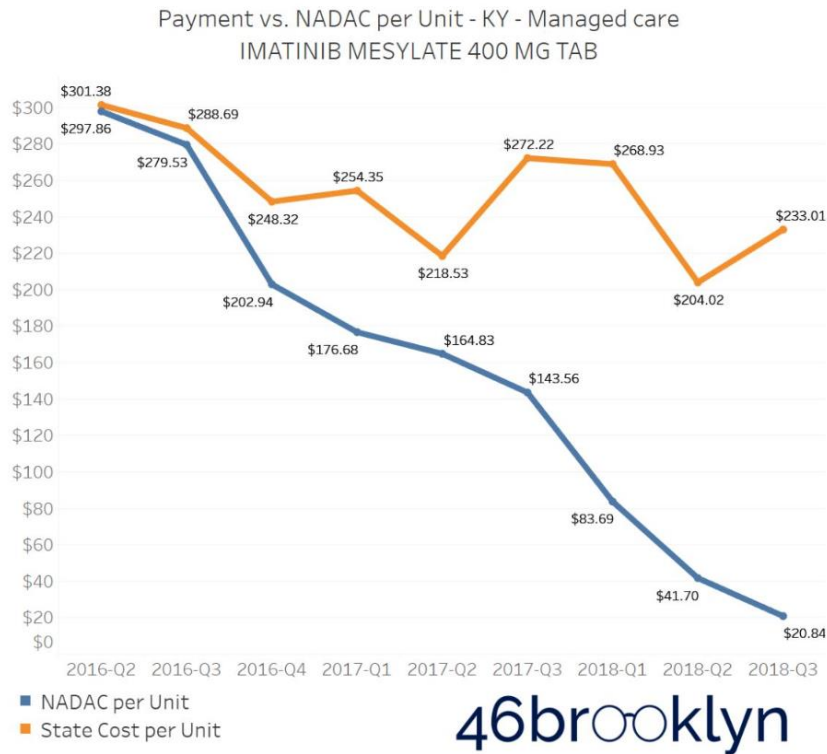


Figure 1  
Source: CMS.Data.gov; 46brooklyn Research

## Pharmacy Industry Margins

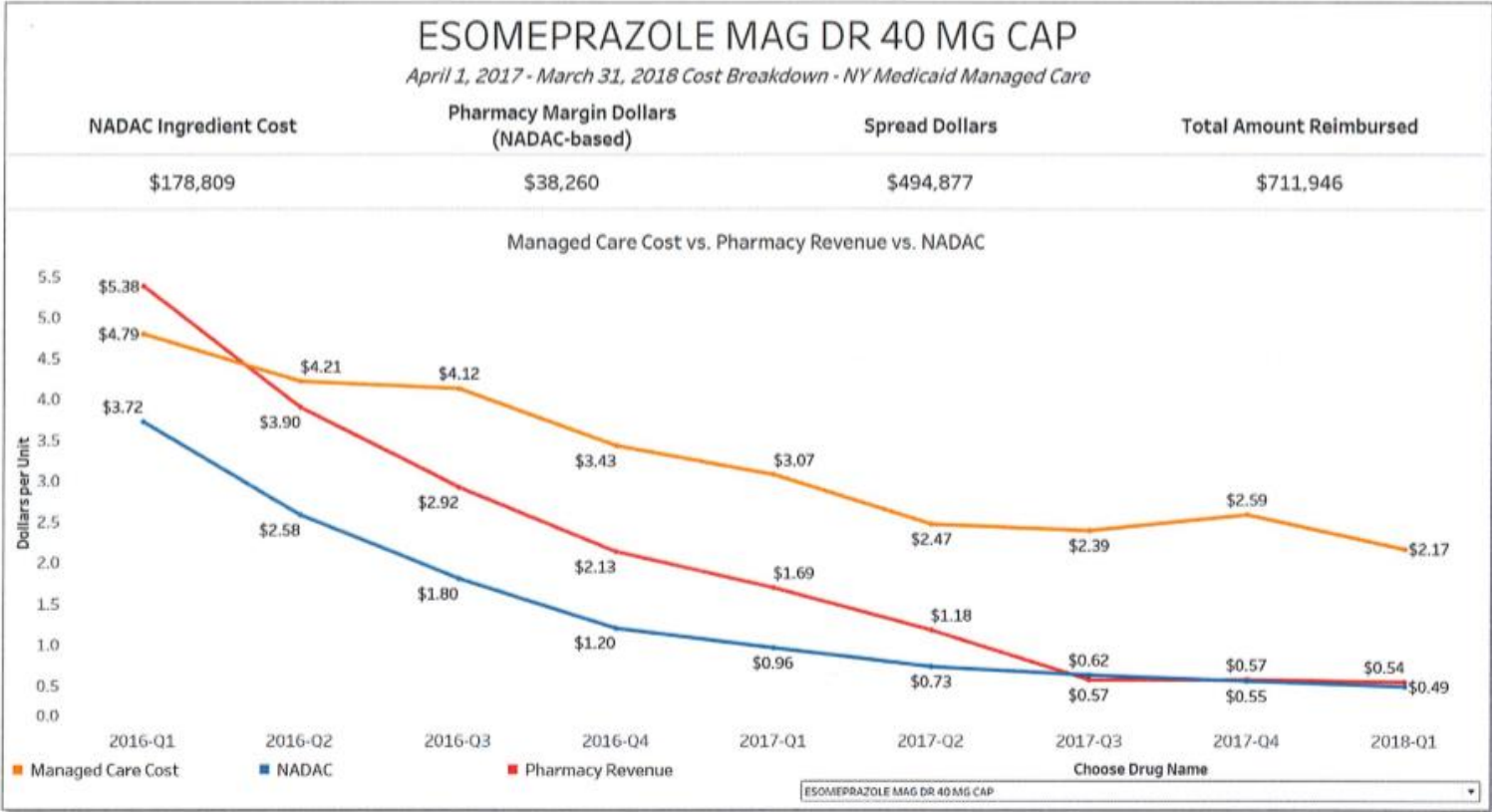
- Pharmacy Benefit Managers have the smallest margins in the pharmacy delivery pipeline.

	PBM	Pharmacy	Manufacturer
(as a % of revenue)	Express Scripts	Walgreens	Amgen
Gross Margin %	8.5%	23.4%	63.9%
Net Income %	3.3%	3.8%	30.7%

Note: Data from 2018 SEC filings.

- As a not-for-profit company, BCBSVT contributes about 0.5% to our reserves each year.

# The Spread



# What if...?



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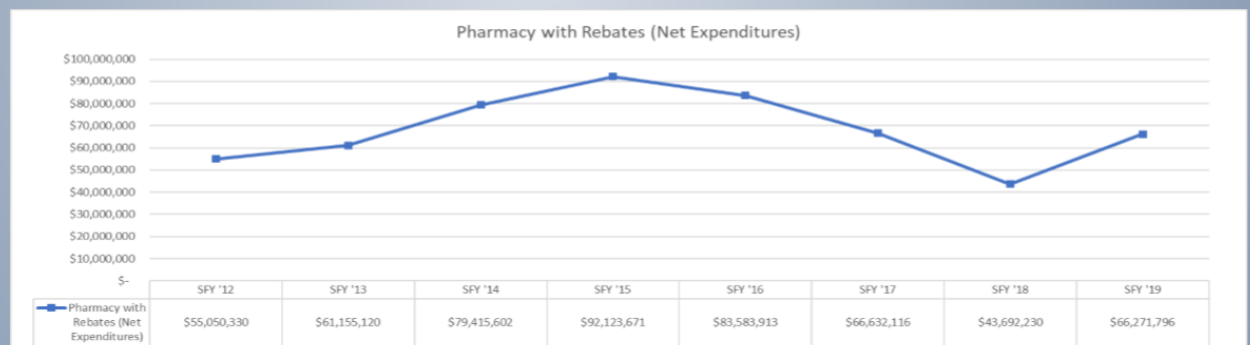
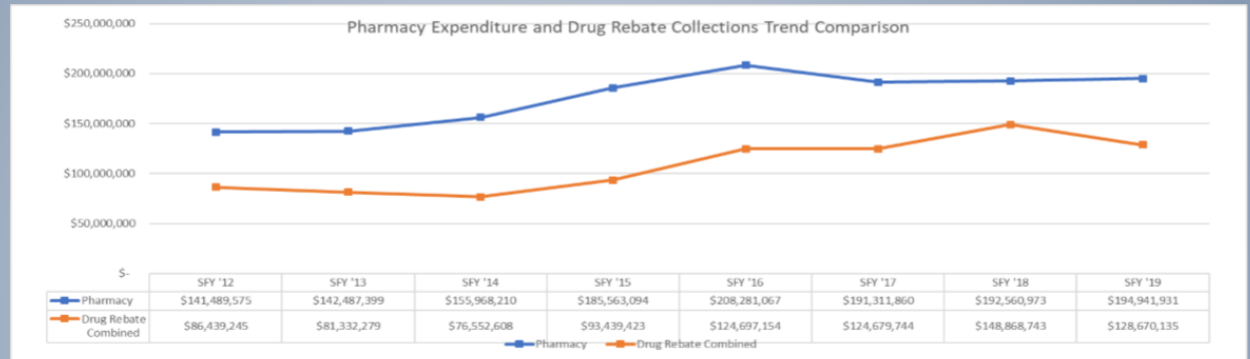
POLICY-ISH

## Trump Administration Wants To Cut Drug Prices By Eliminating Middlemen's Rebates

February 1, 2019 · 3:05 PM ET

ALISON KODJAK

## Medicaid Drug Spend-Gross and Net



# Access Issues

With < 35 pharmacy groups in the State, why do we have discrepant pricing?

## Navitus Prescription Drug Coverage



PHARMACY CO-PAY	30-DAY SUPPLY			90-DAY SUPPLY		
	TIER 1	TIER 2	TIER 3	TIER 1	TIER 2	TIER 3
UVM HEALTH NETWORK OUTPATIENT PHARMACIES	\$0	\$25	\$45	\$0	\$50	\$90
UVM MEDICAL CENTER MAIL ORDER PHARMACY	\$0	\$25	\$45	\$0	\$50	\$90
NAVITUS RETAIL NETWORK PHARMACY	\$10	\$30	\$50	\$30	\$90	\$150
INFERTILITY	50% coinsurance up to annual benefit of \$2,000/family					
ANNUAL Rx CO-PAY	\$1,250 per person, up to \$2,500 for a family					

# ERISA & SCOTUS



## Rutledge v. Pharmaceutical Care Management Association

Docket No.	Op. Below	Argument	Opinion	Vote	Author	Term
<a href="#">18-540</a>	<a href="#">8th Cir.</a>	TBD	TBD	TBD	TBD	<a href="#">OT 2019</a>

**Issue:** Whether the U.S. Court of Appeals for the 8th Circuit erred in holding that Arkansas' statute regulating pharmacy benefit managers' drug-reimbursement rates, which is similar to laws enacted by a substantial majority of states, is pre-empted by the Employee Retirement Income Security Act of 1974, in contravention of the Supreme Court's precedent that ERISA does not pre-empt rate regulation.

# Further Research

- <https://www.46brooklyn.com>  
**46brooklyn Research** is an [Ohio non-profit corporation](#) whose purpose is to improve the accessibility and usability of U.S. drug pricing data. 46brooklyn takes the myriad drug pricing data sources scattered across the web and stitches them together into [data visualizations](#) that can be used by the public to better understand how the drug supply chain functions. 46brooklyn also writes and publishes [original research](#) that uses the data within its public data visualizations to shine light on the hidden and complex underbelly of the drug supply chain.
- <https://www.3axisadvisors.com/>  
**3 Axis Advisors** is an elite, highly-specialized consultancy that partners with private and government sector organizations to solve complex, systemic problems and propel industry reform through data-driven advocacy. With a primary focus on identifying and analyzing U.S. drug supply chain inefficiencies and cost drivers, we offer unparalleled expertise in project design, data aggregation and analysis, government affairs and media relations.
- <http://ncoil.org/2020/01/13/ncoil-adopts-drug-pricing-transparency-model-act/>  
National Council of Insurance Legislators guidance to State language for increased regulation
- [https://assembly.state.ny.us/leg/?default\\_fld=&bn=S06531&term=2019&Summary=Y&Actions=Y&Text=Y&Committee%26nbspVotes=Y&Floor%26nbspVotes=Y](https://assembly.state.ny.us/leg/?default_fld=&bn=S06531&term=2019&Summary=Y&Actions=Y&Text=Y&Committee%26nbspVotes=Y&Floor%26nbspVotes=Y)  
NY State 2019 comprehensive language to address PBMs and to regulate them