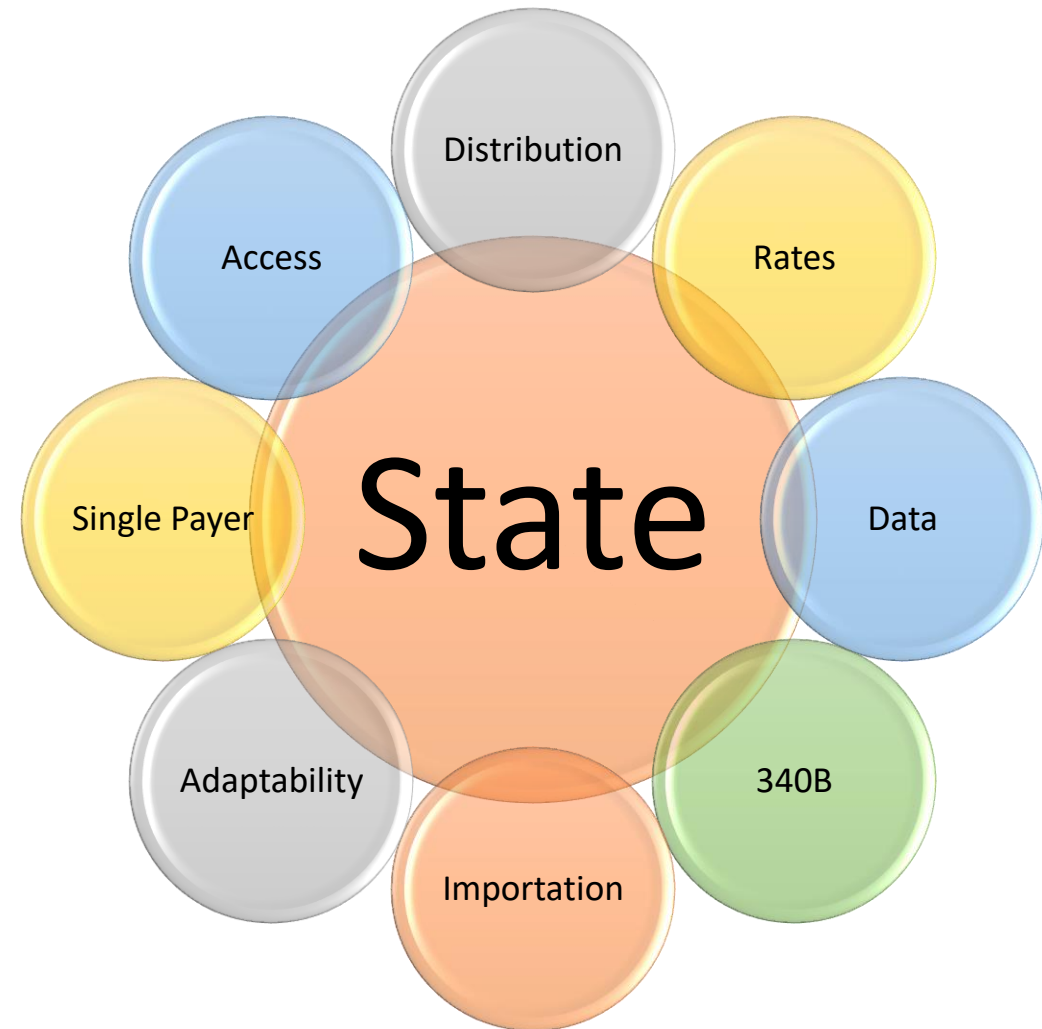


A Need for Perspective



Testimony Vermont Senate Health and Welfare Committee:

Jeffrey Hochberg

President Vermont Retail Druggists

2/26/2020

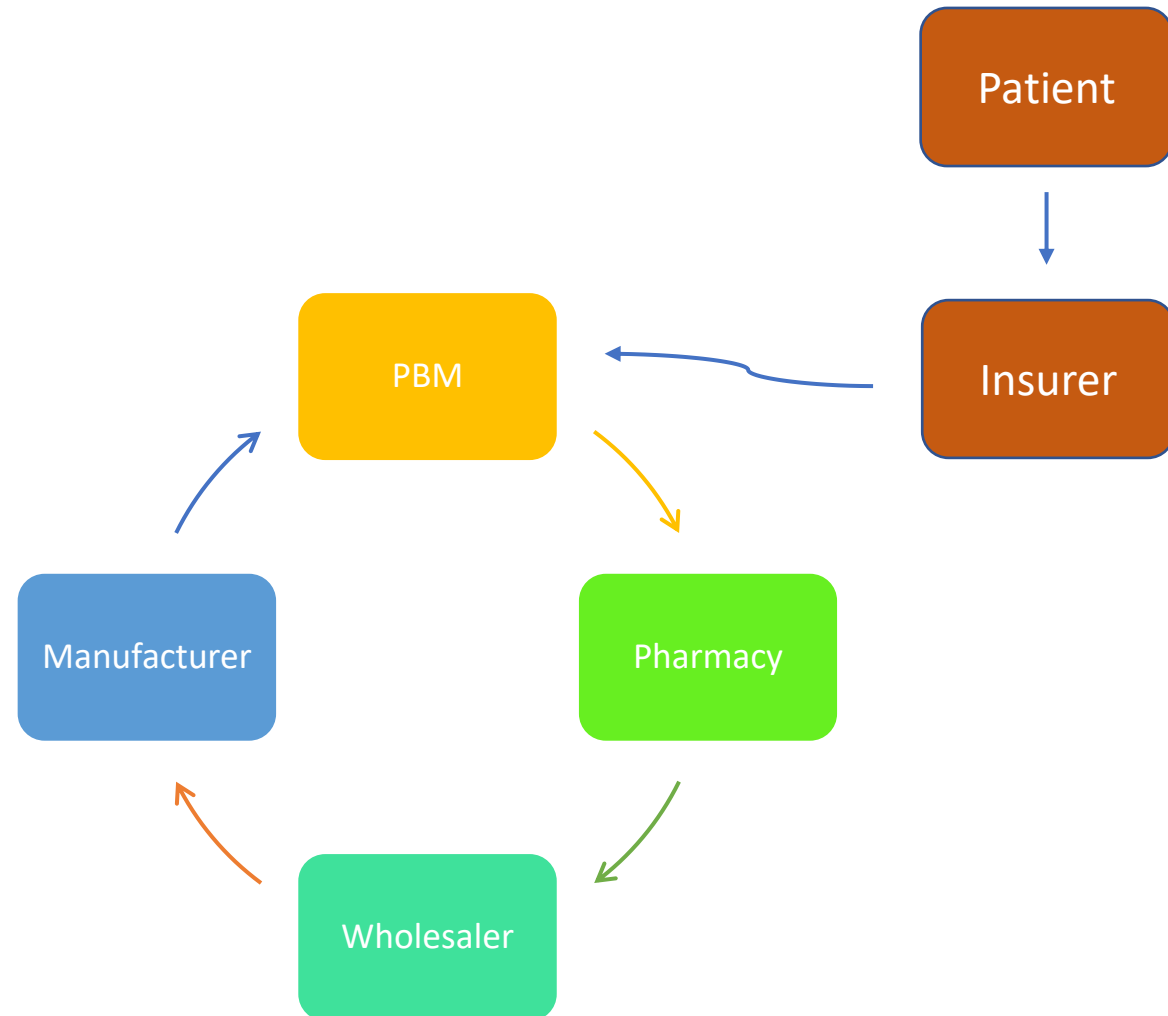
Summary:

- In order for the State to effectively control prescription drug prices, two things MUST happen:
 - 1.) reduce the Pharmacy Benefit Manager's control over the system thru regulation; and
 - 2.) completely change the paradigm without causing systemic collapse.

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. We must repurpose key players to properly pursue the “Triple Aim.”

Current Pharmacy Revenue Path

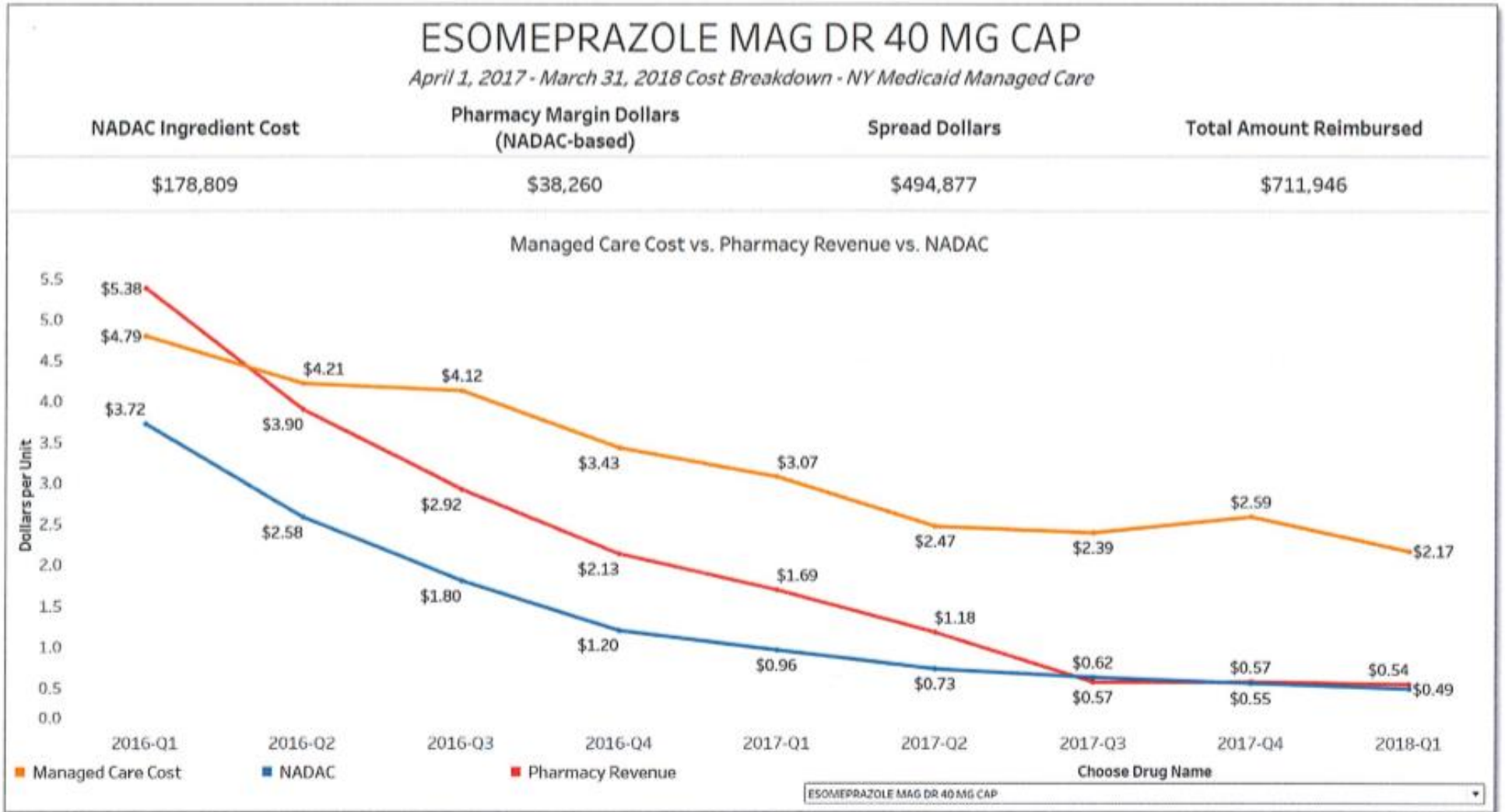
- Overly complicated
- Lacking any sense of Transparency
- At least 5 inflation steps:
 1. Manufacturer sells product to Wholesaler (WAC – Wholesale acquisition price or **List Price**);
 2. Wholesaler sells to Pharmacies (**Invoice Price**);
 3. Pharmacy dispenses drug to Patients and paid by PBM (**Retail 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.

The Spread





NADAC is the National Average Drug Acquisition Cost at the Pharmacy Level (Invoice Price)

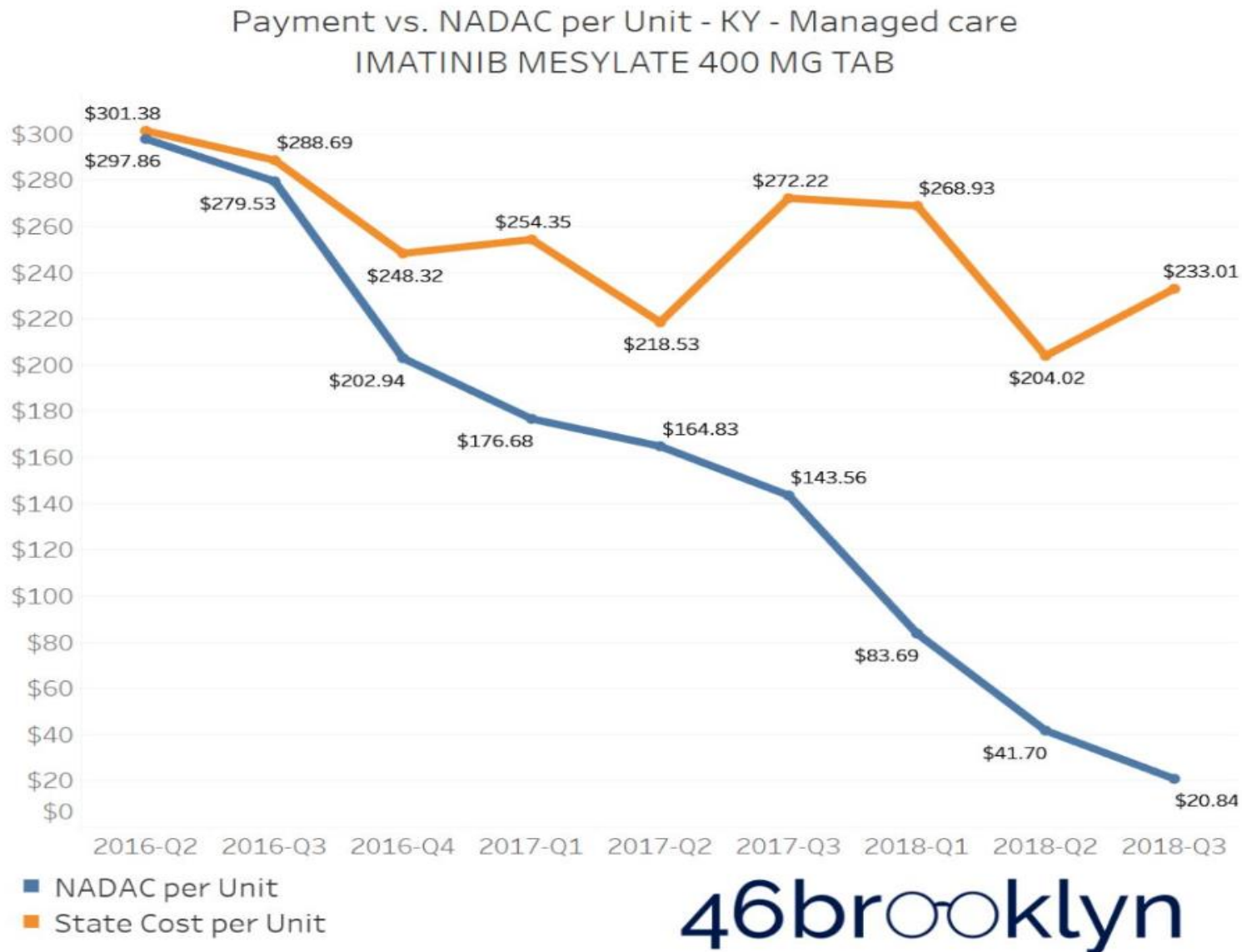


Figure 1

Source: CMS.Data.gov; 46brooklyn Research



In its October 2019 newsletter PUTT released the following which further articulates the “Spread” and how it affects consumers

[Pharmacists United for Truth and Transparency - Pharmacists United for Truth and Transparency \(truthrx.org\)](#)

What if...?



SIGN IN NPR SHOP DONATE NOW

NEWS ARTS & LIFE MUSIC SHOWS & PODCASTS SEARCH



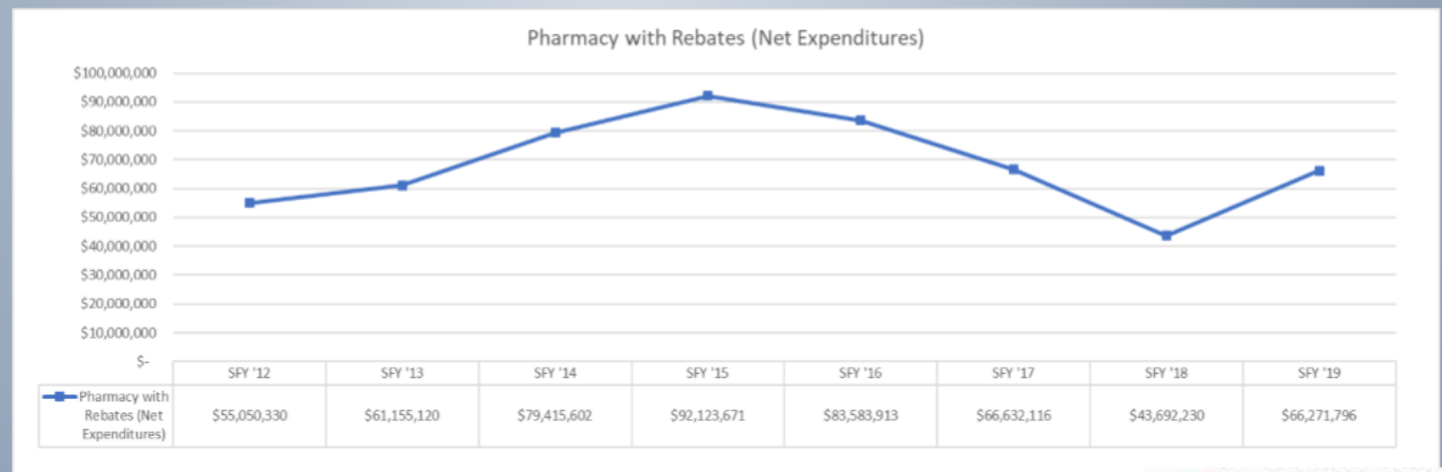
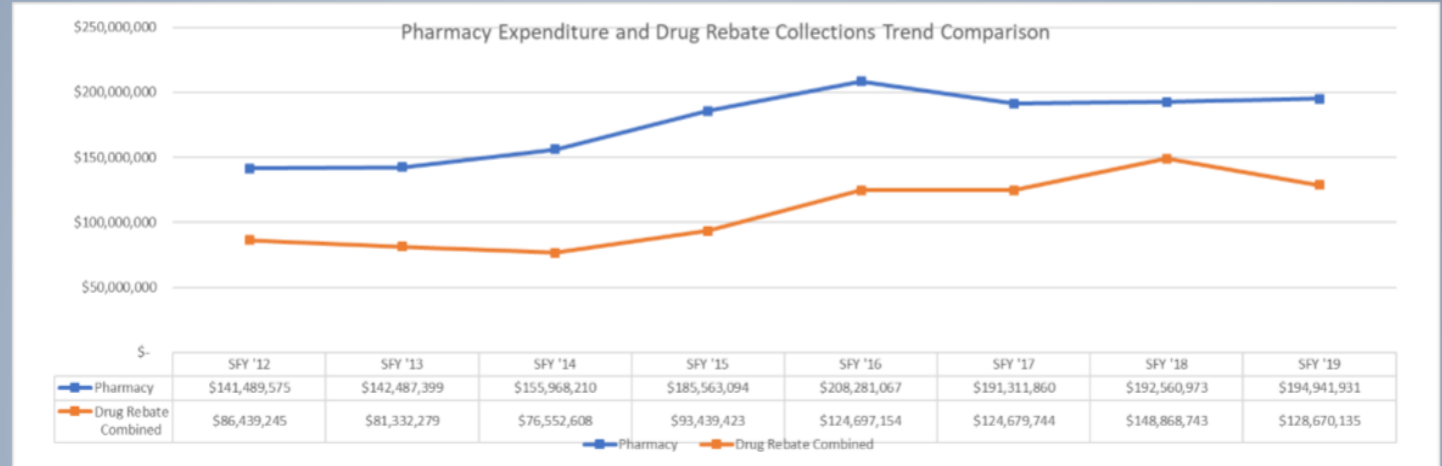
POLICY-ISH

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



...They Did It!

- HHS Finalizes Rule to Bring Drug Discounts Directly to Seniors at the Pharmacy Counter
- Today, in response to President Trump's July 24, 2020 Executive Order on "Lowering Prices for Patients by Eliminating Kickbacks to Middlemen," HHS Secretary Alex Azar and the HHS Office of Inspector General finalized a regulation to eliminate the current system of drug rebates in Medicare Part D, in order to create incentives to lower list prices and reduce out-of-pocket spending on prescription drugs by delivering discounts directly at the pharmacy counter.
- [HHS Finalizes Rule to Bring Drug Discounts Directly to Seniors at the Pharmacy Counter | HHS.gov](#)

Kaiser Family Foundation's take on Rebates

KFF – “Rebates do not directly lower the out-of-pocket costs that patients pay for a drug.”

[Prescription Drug Rebates, Explained | KFF](#)

– animated video Published: Jul 26, 2019

The Value of Rebates

- **The Association Between Drug Rebates and List Prices**

By [Neeraj Sood, PhD](#), [Rocio Ribero, PhD](#), [Martha Ryan](#) and [Karen Van Nuys, PhD](#) February 11, 2020

[The Association Between Drug Rebates and List Prices – USC Schaeffer](#)

Drug rebates and list prices are positively correlated:
On average, a \$1 increase in rebates is associated with a \$1.17 increase in list price.

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						
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					

Where VT Stands

- A comparison of State Statutes regulating PBMs that are currently in effect as reported from NCPA, National Community Pharmacy Association
- VT scores 4/7



STATE	Licensure	Claim Adj/Fees	Fair Audit	AMMO	AWP	Reimb Appeals	Accred/Cert
Alabama	Y	N	Y	N	Y	N	N
Alaska	Y	N	Y	N	N	Y	N
Arizona	N	N	Y	Y	N	Y	N
Arkansas	Y	Y	Y	Y	Y	Y	Y
California	Y	N	Y	N	N	Y	N
Colorado	N	N	Y	N	Y	N	N
Connecticut	Y	N	Y	Y	Y	N	N
Delaware	Y	N	Y	Y	Y	Y	N
Florida	Y	N	Y	N	Y	N	N
Georgia	Y	Y	Y	Y	Y	Y	N
Hawaii	Y	N	N	Y	Y	Y	N
Idaho	N	N	N	N	Y	N	N
Illinois	N	N	N	N	Y	N	N
Indiana	N	N	Y	N	Y	N	N
Iowa	Y	N	Y	N	N	Y	N
Kansas	Y	N	Y	N	Y	Y	N
Kentucky	Y	N	Y	N	Y	Y	N
Louisiana	Y	N	Y	Y	Y	Y	N
Maine	Y	N	Y	N	Y	Y	N
Maryland	Y	Y	Y	Y	N	Y	N
Massachusetts	Y	N	Y	N	Y	N	N
Michigan	N	N	N	N	N	N	N
Minnesota	Y	N	Y	N	N	Y	N
Mississippi	Y	N	Y	N	Y	N	N
Missouri	N	N	Y	N	N	Y	N
Montana	N	Y	Y	Y	N	Y	Y
Nebraska	N	N	N	N	N	N	N
Nevada	N	N	N	N	N	N	N
New Hampshire	Y	Y	Y	N	Y	Y	Y
New Jersey	Y	Y	N	Y	Y	Y	Y
New Mexico	Y	Y	Y	N	N	Y	Y
New York	N	N	Y	Y	N	Y	N
North Carolina	N	Y	Y	Y	Y	Y	N
North Dakota	Y	Y	Y	Y	Y	Y	Y
Ohio	Y	N	Y	N	N	Y	N
Oklahoma	Y	Y	Y	N	Y	Y	Y
Oregon	Y	Y	Y	Y	N	Y	N
Pennsylvania	Y	N	Y	N	N	Y	N
Rhode Island	Y	N	Y	N	N	Y	N
South Carolina	Y	Y	Y	N	Y	Y	N
South Dakota	Y	Y	Y	Y	Y	N	N
Tennessee	Y	Y	Y	N	Y	Y	N
Texas	Y	Y	Y	Y	Y	Y	N
Utah	Y	Y	Y	N	Y	Y	N
Vermont	Y	N	Y	Y	N	Y	N
Virginia	N	Y	Y	Y	Y	Y	N
Washington	Y	N	Y	N	N	Y	N
West Virginia	Y	N	Y	Y	N	N	N
Wisconsin	N	N	N	Y	Y	Y	N
Wyoming	Y	N	Y	N	Y	Y	N

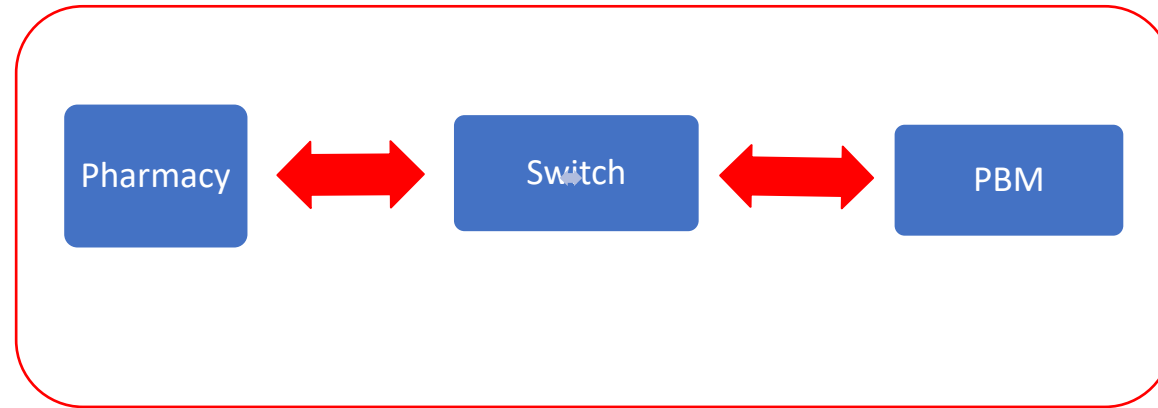
Current PBM Statutory Reform

- National Council of Insurance Legislators guidance to State language for increased PBM regulation
<http://ncoil.org/2020/01/13/ncoil-adopts-drug-pricing-transparency-model-act/>
- NY State 2019-2020 comprehensive language S 6531
https://assembly.state.ny.us/leg/?default_fld=&bn=S06531&term=2019&Summary=Y&Actions=Y&Text=Y&Committee%26nbspVotes=Y&Floor%26nbspVotes=Y
- Kansas 2020 comprehensive language HB 2598
http://kslegislature.org/li/b2019_20/measures/documents/hb2598_00_0000.pdf

Data = Power

- Manufacturers want two things:
 - Market presence – “Formulary Status”;
 - 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).

NOTE: The Switch packages ALL pharmacy data into **1 Format!**

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 (including 340B opportunities)
- Data selling 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 or True 340B Pricing, 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

Further Data 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.

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**

