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An Independent Licensee of the Blue Cross and Blue Shield Association.

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April 6, 2022

Dear Chair Lyons and Members of the Senate Health and Welfare Committee,

Blue Cross and Blue Shield of Vermont has a number of concerns with **H.353 the pharmacy benefit manager bill** that passed the House. The twin goals of protecting the remaining independent pharmacies in Vermont and limiting pharmacy benefit managers (PBMs) from using drug cost management tools, while having a good intent, have the negative consequences of increasing overall pharmaceutical costs to consumers.

Section 2 § 9472.(e) – page 6 *Formulary management*

Blue Cross must be able to adjust the drug formulary based on the developments in the prescription drug marketplace—this is key to our ability to encourage generic substitution and implement other formulary management tools that push down on the rising cost of premiums. **If this language is intended to allow additional formulary modifications outside of the contracts, it needs to be clear and explicit.** Limiting formulary changes within a health plan contract provision but allowing them outside of the contracts is unnecessarily complicated. This eliminates the protections of a contract agreement.

Section 2 § 9472.(f)(2) – page 7 *Amounts paid be attributed to the deductible*

Manufacturer coupons are used to offset patient cost-share as a means of incentivizing brand drug selection over lower priced alternatives, which in turn drives up overall pharmaceutical costs and premiums. **Mandating that these amounts be attributed to the deductible is an additional inducement for patients to choose higher cost prescriptions with a false sense of savings.** In order to apply these amounts to the deductible, the information must be provided electronically in a manner that is integrated with our pharmacy claims system. The administrative costs to process paper claims submissions and refunds is prohibitive expensive and not operationally feasible.

Section 4 – page 16 *Prohibition on Specialty Pharmacy Network*

This is the most problematic portion of this bill and will raise prices for Vermonters. While these sections apply to all drugs, the focus here is specialty drugs. **We request that you remove this section of the bill entirely and study these complex issues prior to making policy decisions that will result in a significant cost impact to Vermonters.** Both the exclusion of health care facility-owned pharmacies and the Medicaid program from any of these provisions should give you pause and is an indication of the potentially negative consequences from these provisions. If Medicaid can't afford it, Vermonters left paying ever-increasing premiums certainly can't either.

Blue Cross has a Vermont performance specialty pharmacy network that includes local specialty pharmacies. This network serves all of our members and meets our high standards for safety, patient care and value. Specialty pharmacies are focused on delivering optimal care through effective patient care plans to achieve desired medication therapy outcomes for patients with complex, often chronic and rare conditions . Eliminating our ability to manage the network of pharmacies that provides these medications with specific standards and requirements will harm our members and drive-up costs.

Blue Cross opposes all of the provisions contained S.242 the "brown bagging, white bagging, and home infusion" prohibitions bill. This bill prevents health insurers from managing prescription drug costs and convenience for our members but allows provider-owned specialty pharmacies to utilize them without limitation and with identical methods of drug distribution. This bill is about protecting hospital specialty drug profits to the detriment of patients, and the cumulative profits for drug sales at Vermont hospitals is staggering.

As the health insurance provider, Blue Cross is responsible for managing the care and costs of our member and customer pharmacy benefits. Providers do not have that financial obligation to their patients. In fact, they may have the opposite incentive:

"Physicians who are employed by a health system can be mandated or encouraged to send patients to the health system's in-house pharmacy. Steering prescriptions and referrals to in-house medical care has become common among hospitals." [i]

Requiring the insurer, who has responsibility and risk for the pharmacy benefit and the resulting premiums, to negotiate the source of the medications with the health care professional who may stand to gain financially from where the prescription is filled, is not in the best interest of patients.

This applies to all of the prohibitions included in S.242: dispensing the medication directly to the patient (brown bagging); dispensing the medication to a health care setting (white bagging); dispensing a medication for home-infusion or at an infusion site, and compounding or dosage based on day-of lab tests.

"Most hospitals can earn extraordinary profits by acquiring discounted specialty drugs under the 340B Drug Pricing Program. That's because operating an in-house specialty pharmacy allows a hospital's pharmacy to capture the full value of the difference between:

- The reimbursement paid by patients and their commercial or Medicare Part D plan
- The drug's discounted price provided by the manufacturer to the hospital

Examples contained in How Hospitals and PBMs Profit—and Patients Lose—From 340B Contract Pharmacies, Drug Channels.net

Every one of the safety provisions that the bill would require be attested to DFR for the safe handling, dispensing and delivery of the mediations is what we currently require of the specialty

pharmacies in our network and are the exact protections that are eliminated in Section 4 of H.353 discussed earlier.

There are many perverse incentives in the drug supply chain, but the provisions in this bill exacerbate these issues and it is the patient who ends up losing. If you walk down the street and ask any one of your constituents what their greatest concern is about pharmaceuticals, I would guess that cost would be the answer they give you. This bill will make it even more expensive for them. On behalf of the 230,000 Vermonters I serve, I am asking you today to consider the Vermonter who has to pay for this bill.

Sincerely,

Sara Teachout
Director, Government and Media Relations

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[i] Hospitals Continue Their Startling Expansion into Specialty Pharmacy, Drug Channels.net