

April 17, 2024

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

Blue Cross and Blue Shield of Vermont is a small, local, not-for-profit health plan that is not vertically integrated with any pharmacy benefit manager (PBM) or pharmacy chain. Currently, a vendor contract with a PBM (Optum Rx) supports the provision of pharmacy benefits for our members and customers. Through the affiliation with Blue Cross Blue Shield of Michigan, also a single-state nonprofit health plan which also engages the same PBM, Blue Cross VT expects to achieve efficiencies and economies of scale by collaborating over time. Because of the lack of scale in Vermont due to our state's small population, the impacts of the provisions in H.233 are different than those for large national for-profit health insurance plans.

There are two proposals in this legislation that are of concern as they will likely have cost impacts for our members – specifically:

Manufacturer Payment, Coupon, Discount or Financial Assistance applied to the Deductible and Out-of-Pocket Maximum § 3612. (e)(3)

Blue Cross VT applies the manufacturer coupon to the member's deductible and out of pocket (OOP) drug maximum, and does not utilize the co-pay accumulators that have been highlighted as a concern by the Office of the Health Care Advocate. However, we remain concerned that if manufacturer coupons are used to offset out-of-pocket cost share, they will incentivize patients to choose certain drugs often with a higher overall, long term cost.¹ The patient is lured into trying a drug with a coupon that gives them a deep discount, but when the coupon ends the cost skyrockets for both the individual and the risk pool that they purchase insurance in. These consumer choices collectively drive-up pharmaceutical costs. The prohibition of using these coupons when a generic or biosimilar is available is an improvement to the bill, but we believe Vermont should consider adding other consumer protections as drug costs are a key cost driver that impact all Vermonters' premiums, whether or not they rely on prescription drugs individually.

Prohibition on Spread Pricing between the PBM and the Pharmacy § 3612. (f)

Blue Cross VT opposes a prohibition on spread pricing because of our concern about increasing the cost of PBM services for our members.

¹ [Patterns of Manufacturer Coupon Use for Prescription Drugs in the US, 2017 – 2019](#) JAMA Network, May 16, 2023.

Our contracts with PBMs are negotiated to provide the lowest cost drug services to our members. This involves many considerations including minimizing uncertainty in the volatile drug marketplace. Prohibiting spread pricing eliminates one option for lowering costs. The flexibility in the effective date, if this provision is retained, is essential to allowing time to renegotiate pharmacy benefits. We would also request that the legislation explicitly state, as Legislative Council noted verbally yesterday, that this section would not apply to current contracts.

Rather than banning spread pricing, we request that the Legislature take the more moderate step of adopting robust financial transparency, which will garner clarity on the impact of spread pricing, while continuing to insulate members from the long-term variability of drug manufacturers' pricing. "Prohibiting spread pricing would also prevent health plans from getting long-term price guarantees on prescription drugs—a key reason cited health plans for entering into these arrangements," noted the Department of Financial Regulation's January 15, 2023 report to the Vermont Legislature.² "Since health care is a public good in Vermont, the Department believes the public interest demands robust financial transparency in the health care delivery system, including the prescription supply chain."

As noted in a Milliman white paper:

Eliminating spreads and rebate margins in some cases can lead a PBM to cut back on its value-added services (in order to keep explicit fees lower and more competitive), to the long-term detriment of a health plan and its members. To maintain its services (and relatively thin profit margins) a PBM has to get its revenue from somewhere – and that means increased fees if fees are the only source of income (as under a pass-through arrangement).³

Thank you for considering these changes.

Sincerely,

Sara Teachout

² Department of Financial Regulation, January 15, 2023, "Act No. 131 (2022) Report: Pharmacy Benefit Management", available at https://dfr.vermont.gov/sites/finreg/files/doc_library/DFR-Act-131-%20Report-Advance-Copy.pdf

³ Thomas D. Snook and Troy M. Filipek, Milliman White Paper, Pharmacy Benefit Management: Pros and cons of various approaches, 2 (May 2011), available at <https://www.milliman.com/-/media/milliman/importedfiles/uploadedfiles/insight/research/healthrr/pharmacybenefitmanagementprospdf.ashx>.