

TO: Senate Committee on Health and Welfare
FROM: Colin Robinson, Political Director, Vermont-NEA
DATE: January 26, 2024
SUBJECT: S.98 – Prescription Drug Affordability Board

Vermont-NEA has been involved in healthcare reform efforts for over 30 years. Our 13,000 members – Vermont’s teachers, paraeducators, bus drivers, food service workers – see every day in their schools and classrooms students and families who struggle to access high quality affordable healthcare. They know that when a child and their family struggle to get the healthcare they need it makes it harder for them to be successful learners and for their families to be fully engaged in the school community.

Accessing prescription medications, when you are prescribed them at a price you can afford, is a critically important part of supporting all Vermonters’ ability to stay healthy. **S.98, by empowering the Green Mountain Care Board with the ability investigate costs and to set upper payment limits on pharmaceuticals, is a critical step towards ensuring that working Vermonters can access their medications.**

We also know that healthcare costs are rising for all working Vermonters and employers, not just school employees and school districts. One of the biggest drivers of increases in healthcare costs for all working people is the cost of pharmaceuticals. While these include routine medications, they can also include expensive but life critical specialty drugs.

Vermont-NEA along with the Vermont School Boards Insurance Trust (VSBIT) jointly administer Vermont Education Health Initiative (VEHI), the health insurance trust which serves 34,000 school employees and their dependents and is administered by BCBSVT. On January 5th VEHI co-trust administrators Bobby-Jo Salls and Mark Hage provided testimony to the House Committee on Education about VEHI’s cost trends where they point out that pharmaceutical costs are the second leading driver of increases in premiums. [There full testimony can be found here but I want to share some key sections:](#)

“VEHI, like all risk pools and insurance carriers, has been impacted greatly by rising hospital budgets and hospital prices for inpatient and outpatient services; also, like everyone else, we are experiencing sharp spikes in costs for prescription medications, notably for specialty drugs. Hospital costs (inpatient and outpatient services combined) account for approximately 55 percent of our claims spend. Rx costs drive about 20 percent of our claims spend.”

“Rx Price Trends – Here is some select data to help you better understand what VEHI (and others in the private insurance market) are facing with respect to prescription medications.

In the first nine months of 2023 (January through September):

- *VEHI incurred a gross Rx cost (prior to estimated negotiated rebates being applied) of **\$55.1 million** compared to \$46.2 million for the same period in 2022.*
- *Overall Rx cost/inflationary trend rose **22.5 percent**. Specialty drug cost trend rose 20.6 percent, and the cost trend for non-specialty medications rose 24.9 percent.*
- *Specialty medications account for **56.1 percent** of total VEHI Rx spending. In the first nine months of 2023, specialty medications came in at **\$30.9 million** in costs, even though only **829 VEHI patients** were prescribed them. This group of patients represents just 3.2 percent of our total patient count and 2.3 percent of our total claim count.*
- *The average gross cost per patient on specialty medications was **\$37,319**.*
- *Just **246 VEHI patients** needed medications that cost **\$50,000** or more. But in the aggregate, their claims represented **42 percent** of VEHI's gross cost.*
- *Conversely, **21,633 VEHI** patients needed medications that cost between \$1 and less than \$1,000, with a gross cost per patient of just **\$155**.*
- ***84 percent** of our Rx claims are for generic medications, the least expensive on the market, yet we are still enduring steep price hikes each year for mostly non-generic medications.*

*VEHI works diligently with its independent Rx consultant, **Remedy Analytics**, and with the pharmacy team at **BCBSVT** to understand, analyze, reduce, and manage pharmaceutical costs without compromising access to high-quality care. Nonetheless, the prices for high-cost medications present an enormous and accelerating challenge."*

We know the pharmaceutical costs drivers highlighted in VEHI's testimony are not unique to VEHI but are reflected in all other health insurance pools – they are symptoms of a broken system, and these costs are having significant impacts of both premium and out-of-pocket cost for all working Vermonters and their employers. As you know well, problems like this require systemic solutions. **Vermont-NEA believes S.98 is one critical and systemic step forward to ensure that as a state we begin to address the high costs of pharmaceuticals and their impact on the cost of healthcare for all Vermonters.** Vermont will be joining a growing group of other states that are working to ensure all people can access their medications at a price they can afford.