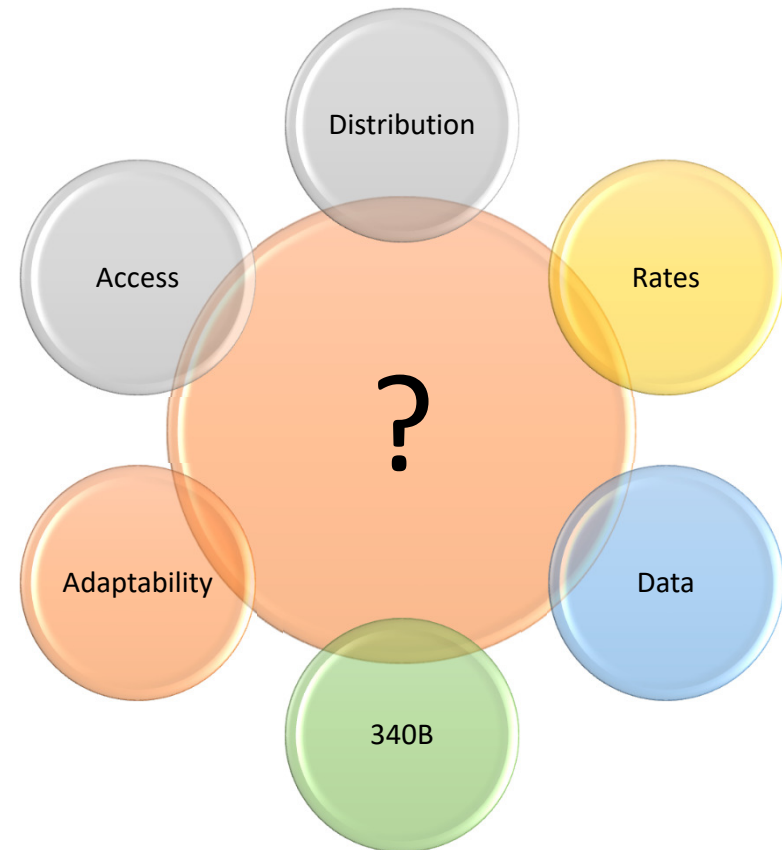


Who Controls Health Care? Who Should?

Testimony Vermont Senate Health and Welfare Committee:

Jeffrey Hochberg

2/2/24



The System is Broken

- There are challenges with Access to Care
 - There are challenges with transparency in the system
 - There are challenges with regulation of the system
 - There are challenges with consumer protection/patient safety
 - There are challenges with workforce sustainability
- Patient Costs are Rising; Access is Declining; and Demographic Needs are Increasing.

Summary:

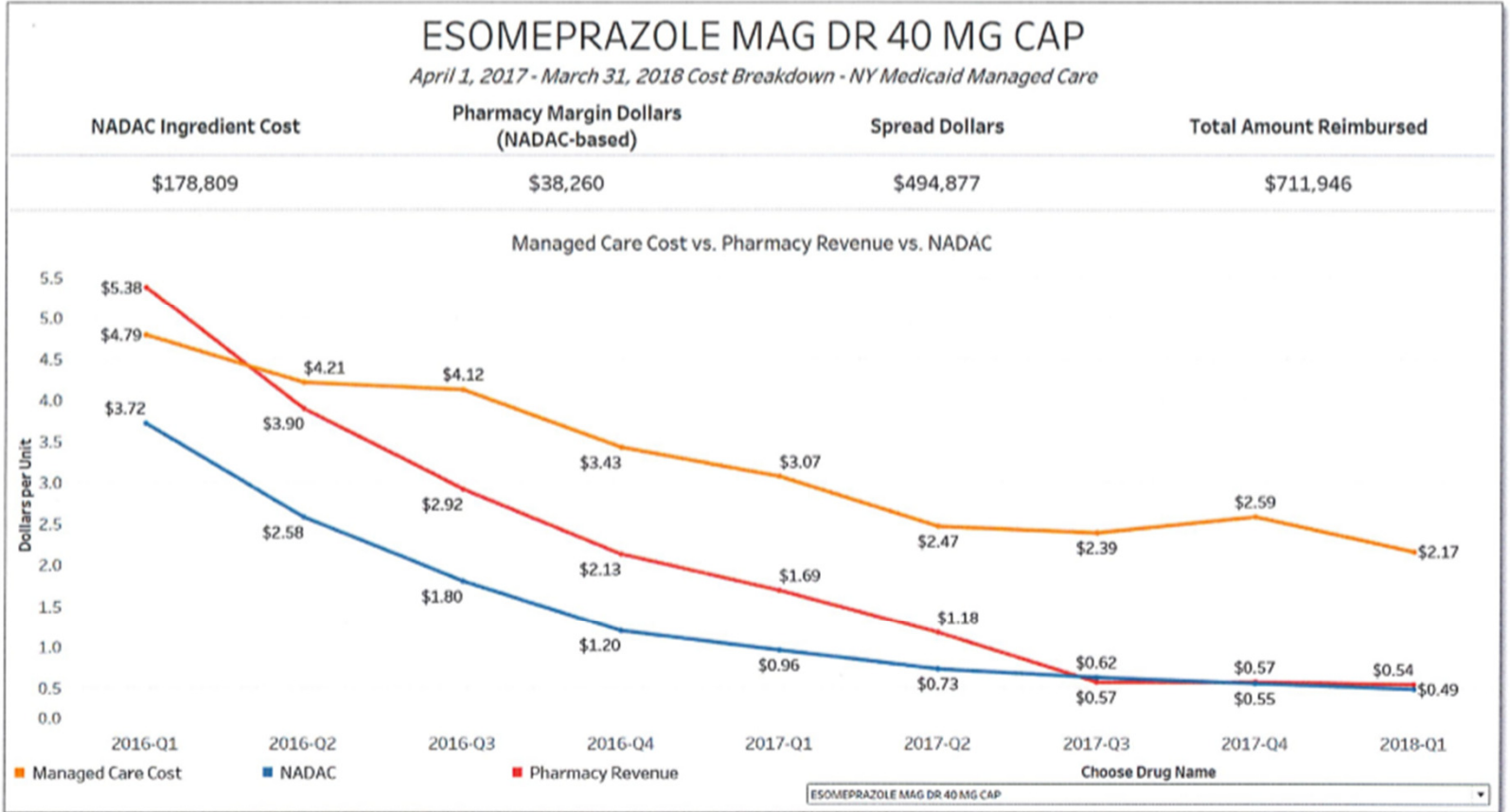
- In order for the State to effectively control prescription drug prices, two things MUST happen:
 - 1.) reduce the Pharmacy Benefit Manager's control over the system thru regulation and **ENFORCEMENT**;
 - 2.) completely change the Pharmacy Model

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 Pricing

- 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 Spread





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

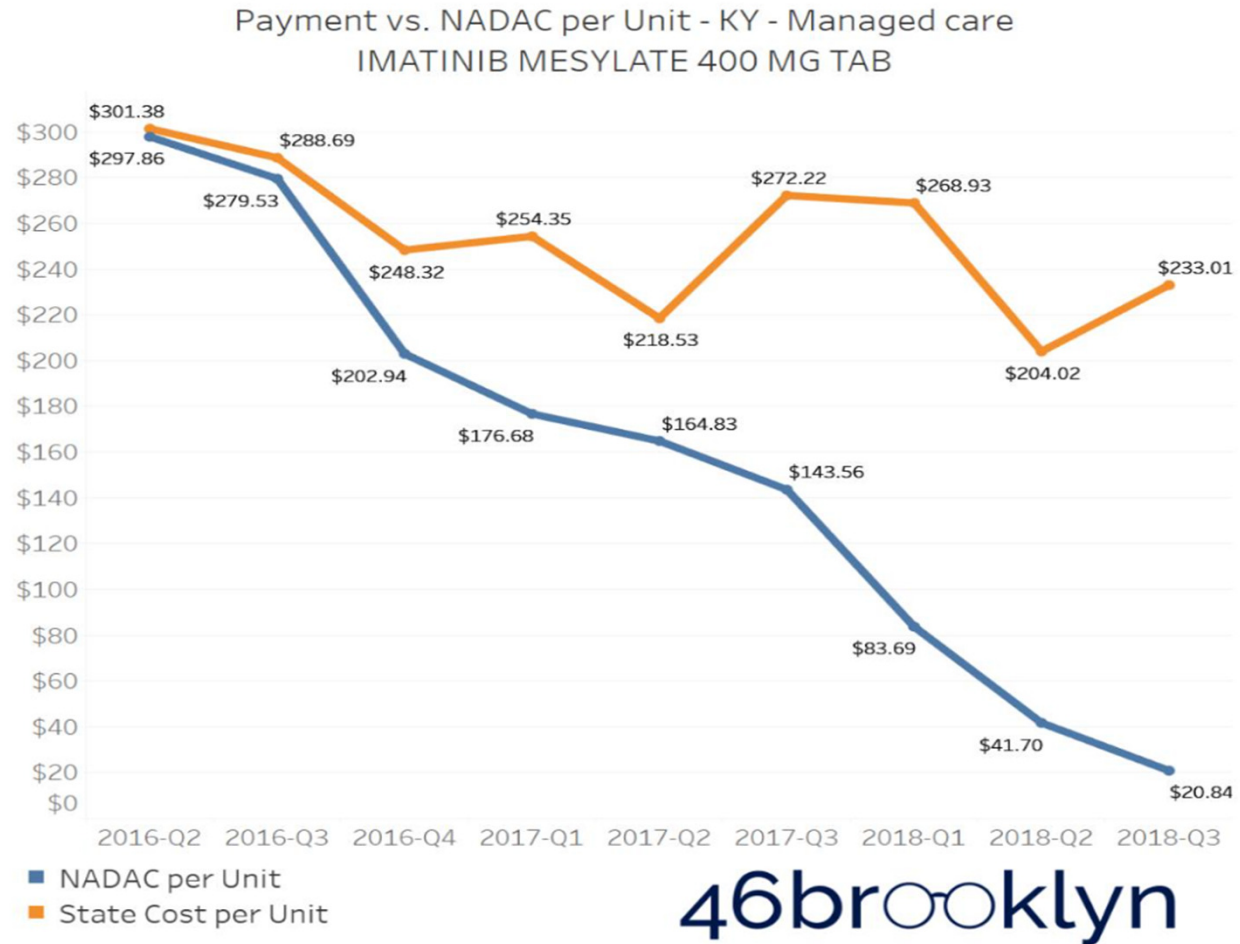


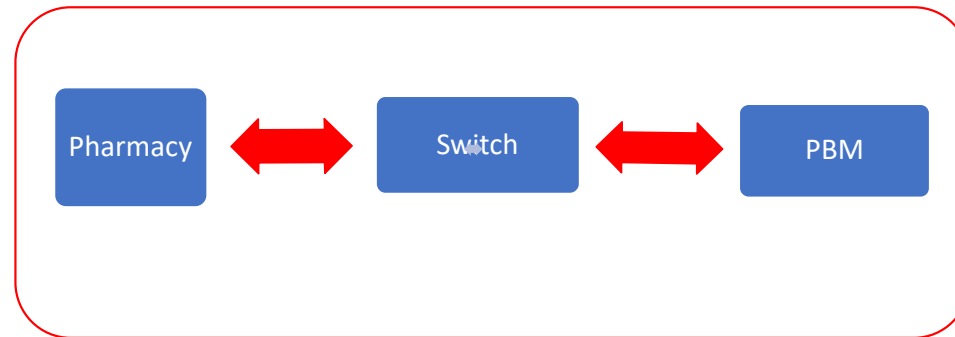
Figure 1
Source: CMS.Data.gov; 46brooklyn Research



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. Switch processors sell Patient Data to Manufacturers/Insurers/Governments.

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

Vermont WILL HAVE an Access Issue

- In 2010 there were 37 Independent Pharmacies Operating in Vermont
- Today there are 16
- 1500 pharmacies closed btw 2020 and 2021 (2/3 were Independents)
- Chains are consolidating and pushing Mail-Order Central Filling

Q1 + Q2 of 2024 = DIRmageddon

The DIR Hangover is Real

- Medicare Part D CY24 contract offerings (approx. examples)
 - Brands: AWP-26% + \$0 dispensing fee (30ds) and AWP-31% + \$0 dispensing fee (90ds)
- Most independent pharmacies buy at approx. WAC- 4% = AWP-20%
- Rates such as this coupled with YOY double-digit increases in DIR fees make the first 3-6 months of 2024 unbearable for independent pharmacies
- Lines of credit/building reserves
- Cash flow is dire situation/concern

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.