



Impact of Prescription Drug Cap to Hospitals

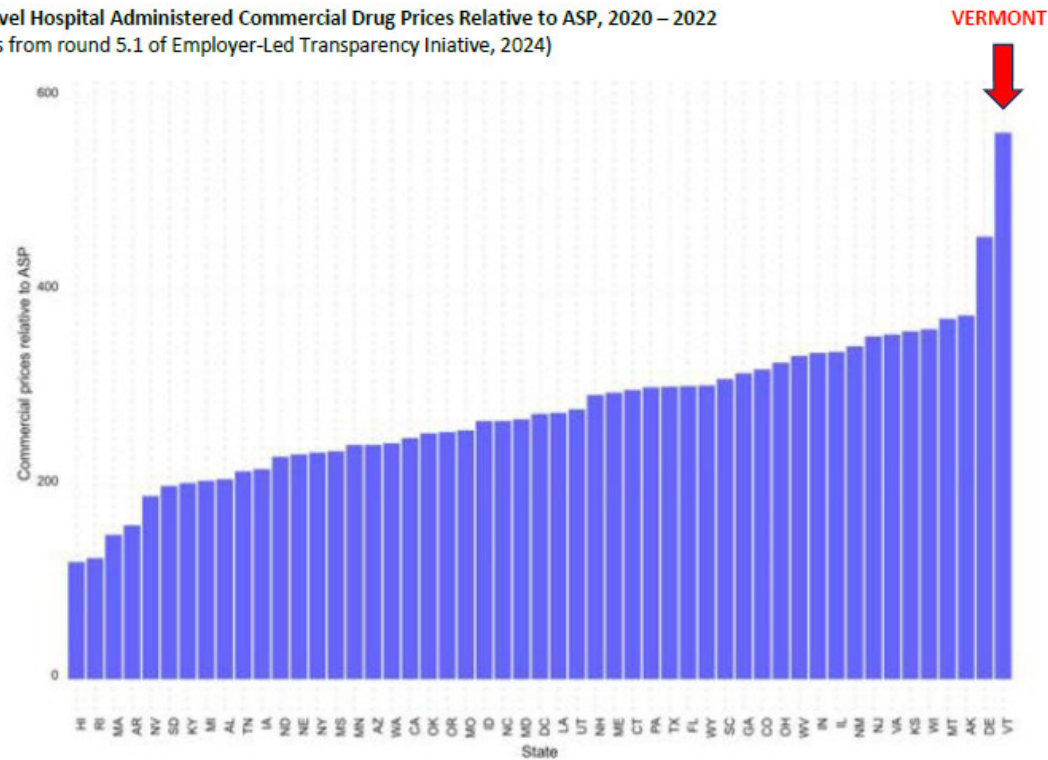
Devon Green, Vice President of Government Relations

devon@vahhs.org

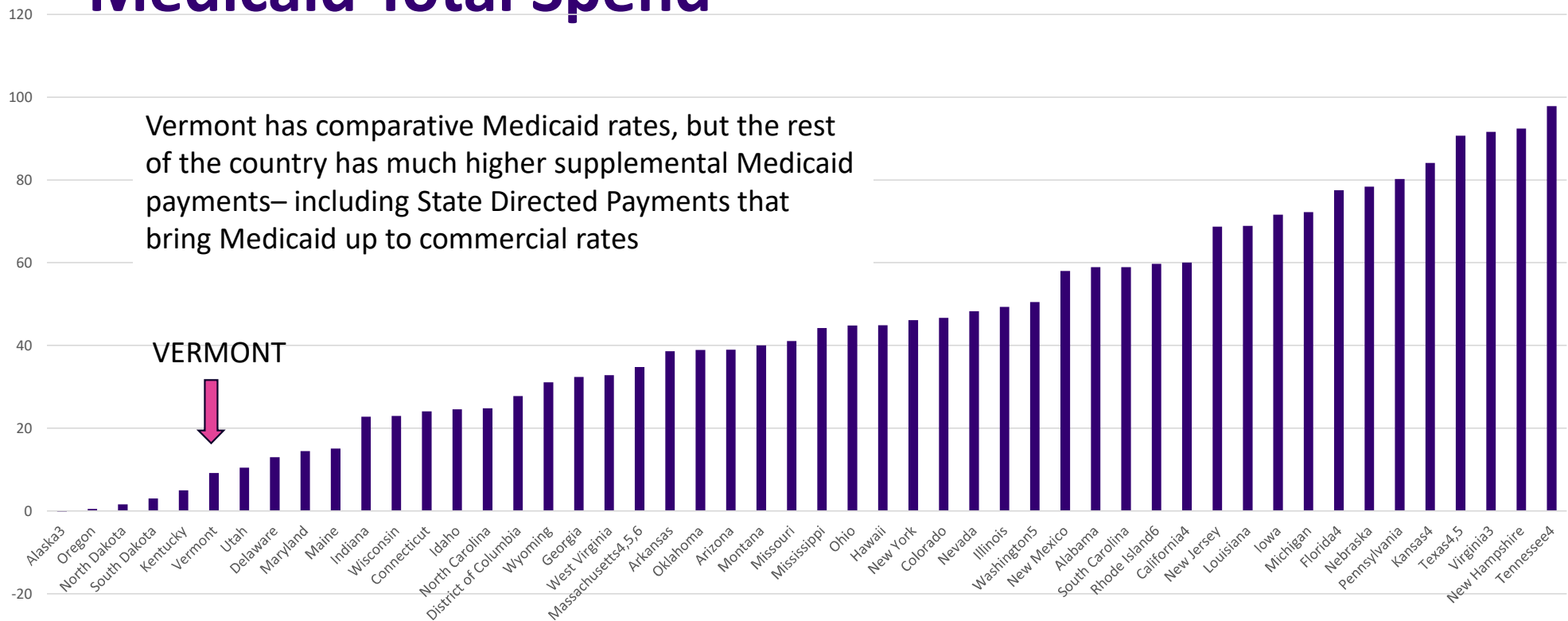
5/20/25

National Comparison: Vermont Drug Prices

State-Level Hospital Administered Commercial Drug Prices Relative to ASP, 2020 – 2022
(Findings from round 5.1 of Employer-Led Transparency Initiative, 2024)



Medicaid Supplemental Payments as % of Medicaid Total Spend



<https://www.macpac.gov/wp-content/uploads/2024/12/EXHIBIT-24.-Medicaid-Supplemental-Payments-to-Hospital-Providers-by-State-FY-2023.pdf>

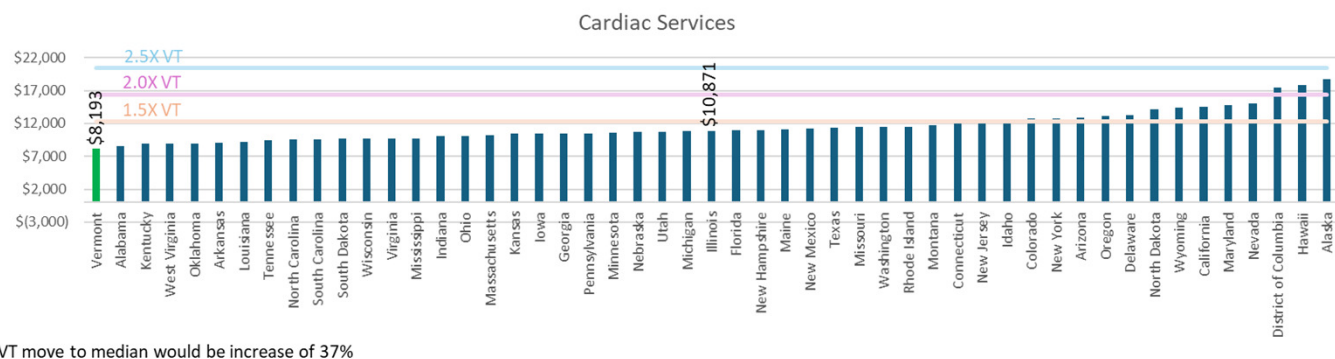
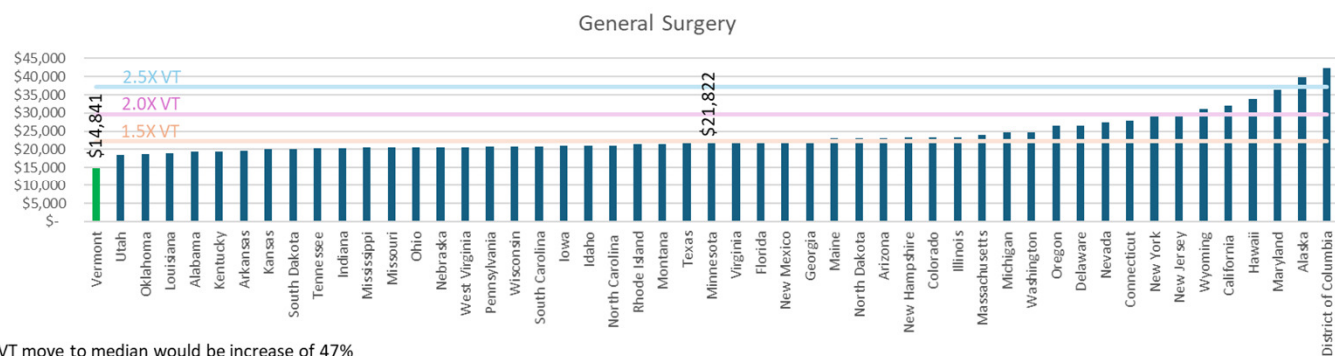
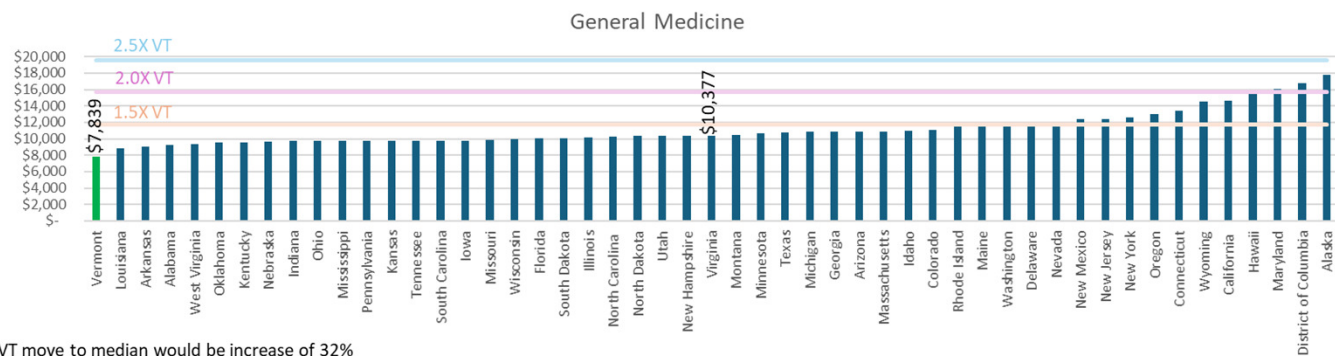
Vermont hospitals are consistently paid the lowest by Medicare

Inpatient

- General Medicine
- General Surgery
- Cardiac Services

VT is paid the least

Data by Southwestern Vermont Medical Center





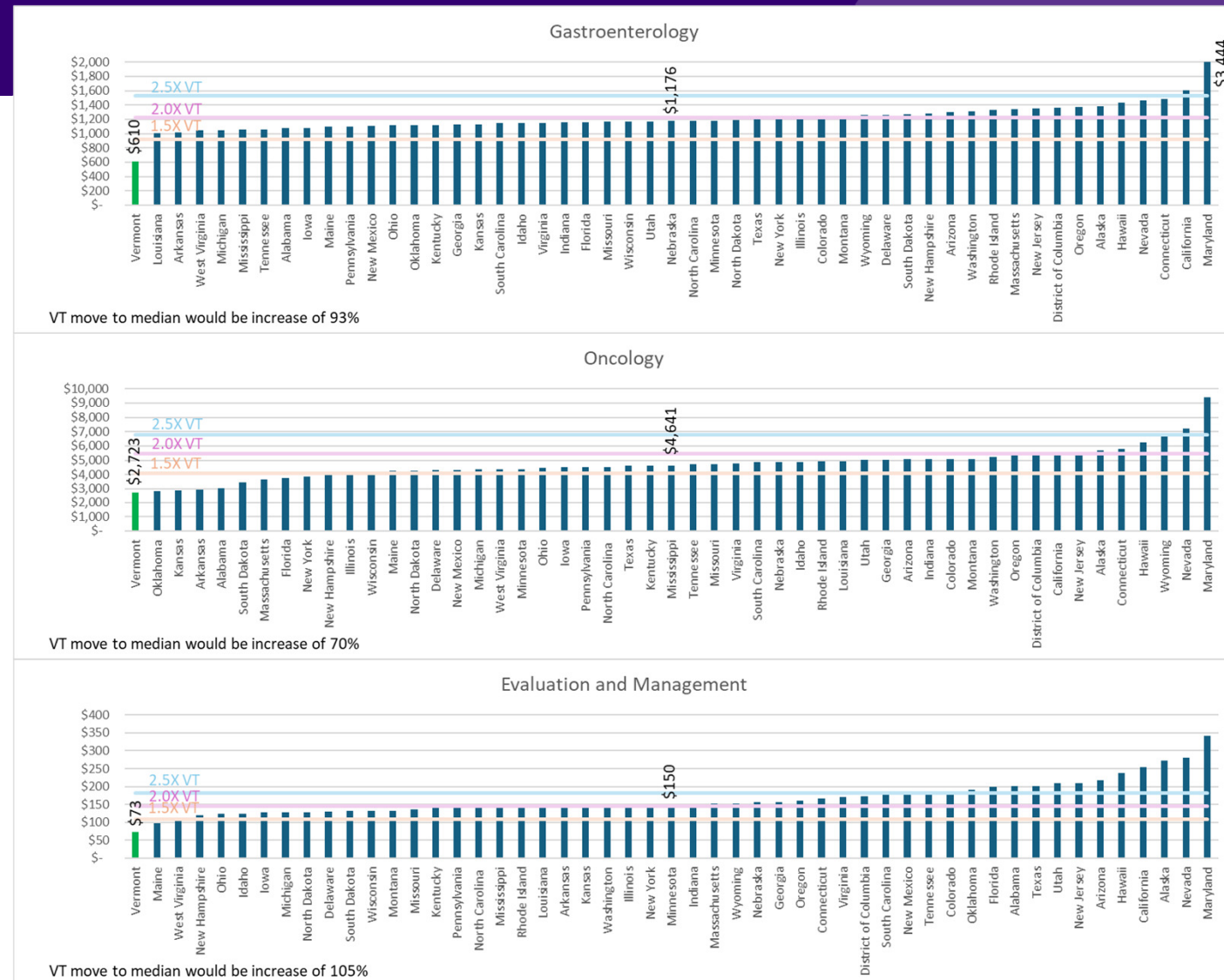
Vermont hospitals are consistently paid the lowest by Medicare

Outpatient

- Gastroenterology
- Oncology
- Evaluation and Management

VT is paid the least

Data by Southwestern Vermont
Medical Center



Price Cap Impacts Hospitals Beyond \$46M

- \$46M is the estimated savings to Blue Cross Blue Shield of Vermont, but cap applies to all commercial insurers

Northwestern Medical Center

- \$2.5M in cuts
 - BCBSVT estimated \$0
- Purchase outpatient prescription drugs above ASP, which is common with rural hospitals
 - 120% ASP would leave them with little margin
- Would need to close infusion center, in addition to \$2.5M in cuts
- [FY 2024 financials: -2.5% operating margin or \\$-3.4M](#)
- Oliver Wyman Report recommendations: grow hospital services
 - Grow colectomy
 - Grow OB
 - Establish robust breast/prostate cancer care
 - Open ICU beds
 - Grow cardiology

Southwestern Vermont Medical Center

- Cut would be \$8.8M
 - BCBSVT estimated \$1.3M impact
- Impact of \$8.8M cut is 12.5% of workforce or 125-150 FTEs
- FY 2024 financials: 0% or \$72k operating margin
- Oliver Wyman Report recommendations: grow hospital services
 - Expand mental health capacity
 - Establish geriatric psych
 - Consider establishing cardiac labs
 - Expand cancer care options
 - Establish PACE program
 - ICU bed capacity
 - Inpatient dialysis

Rutland Regional Medical Center

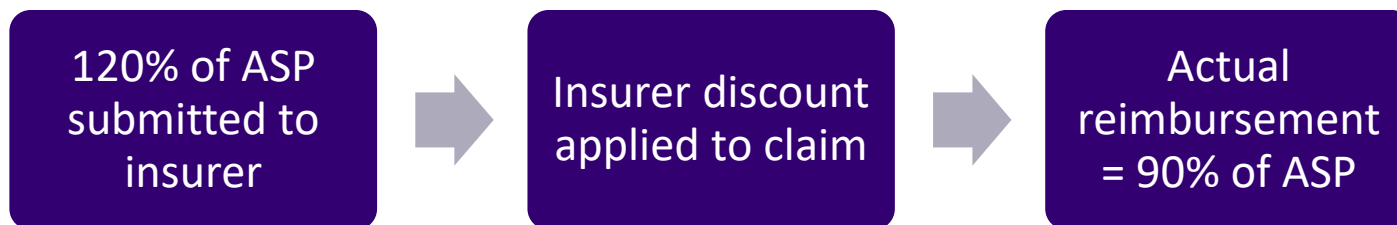
- Cut would be \$16M
 - BCBSVT estimated \$5M
- FY 2024 financials: 0.9% or \$3.2M operating margin
- Oliver Wyman report recommendations: grow hospital services
 - Expand orthopedic spine surgery procedures
 - Expand ICU beds
 - Add dialysis
 - Consider status as Level II Trauma Center
 - Increased OB services
 - Open Emergency General Surgery Center
 - Consider establishing a Center for Robotic Surgery

Brattleboro Memorial Hospital: Medicare Dependent Hospital

- Brattleboro Memorial Hospital is Vermont's only Medicare Dependent Hospital, which is a special federal designation:
 - Located in a rural area
 - Has fewer than 100 beds
 - Brattleboro Memorial Hospital has about 50 beds
 - At least 60% of inpatient days are attributable to Medicare– high Medicare utilization
- FY 2024 Financials: -5.1% or \$-5.8M
- Oliver Wyman Report recommendations: grow hospital services
 - Add dialysis
 - Grow OB/GYN
 - Grow orthopedics
 - Grow general surgery

Proposal: Reimbursement Cap, Not Claim Cap

- 120% of ASP should be a cap on reimbursement, rather than claims
- If capping claims prior to insurance discount being applied, cuts will be deeper



Proposal: Set a Different Benchmark

- Not all hospitals buy at ASP—many rural pay significantly more, making the cap financially unsustainable.
- The ASP has a six-month lag time, at which point drug prices can fluctuate 10-12%
- For new drugs, Medicare is doing wholesale acquisition cost plus 3%
- **VAHHS proposal:** flexibility in benchmark or match national average which is approximately 300% ASP

Impact of Cuts under Current Payment Model

- Cuts to services will happen under a prescription drug cap.
- Hospitals remain under a fee for service model, including reference-based pricing.
- High-expense, low-reimbursed community services more likely to be cut.

Proposal: Limit Cuts to Promote Planning

- Cap applies only to domestic insurers; or
- Cap applies to Qualified Health Plans

Consider: Prescription Drug Cap in Combination with All Affordability Initiatives

- Oliver Wyman recommendations and transformation
- H.482 and BCBSVT sustainability
 - Unlikely to be a useful tool with cuts to hospitals
- S.126 and 2.5% operational expense reduction of \$100M
- Reference-based pricing
- Hospital global budgets
- FY2026 hospital budget– hospitals proposing \$240M in savings