

BLUE CROSS VT

Hospital administered drugs in the outpatient setting

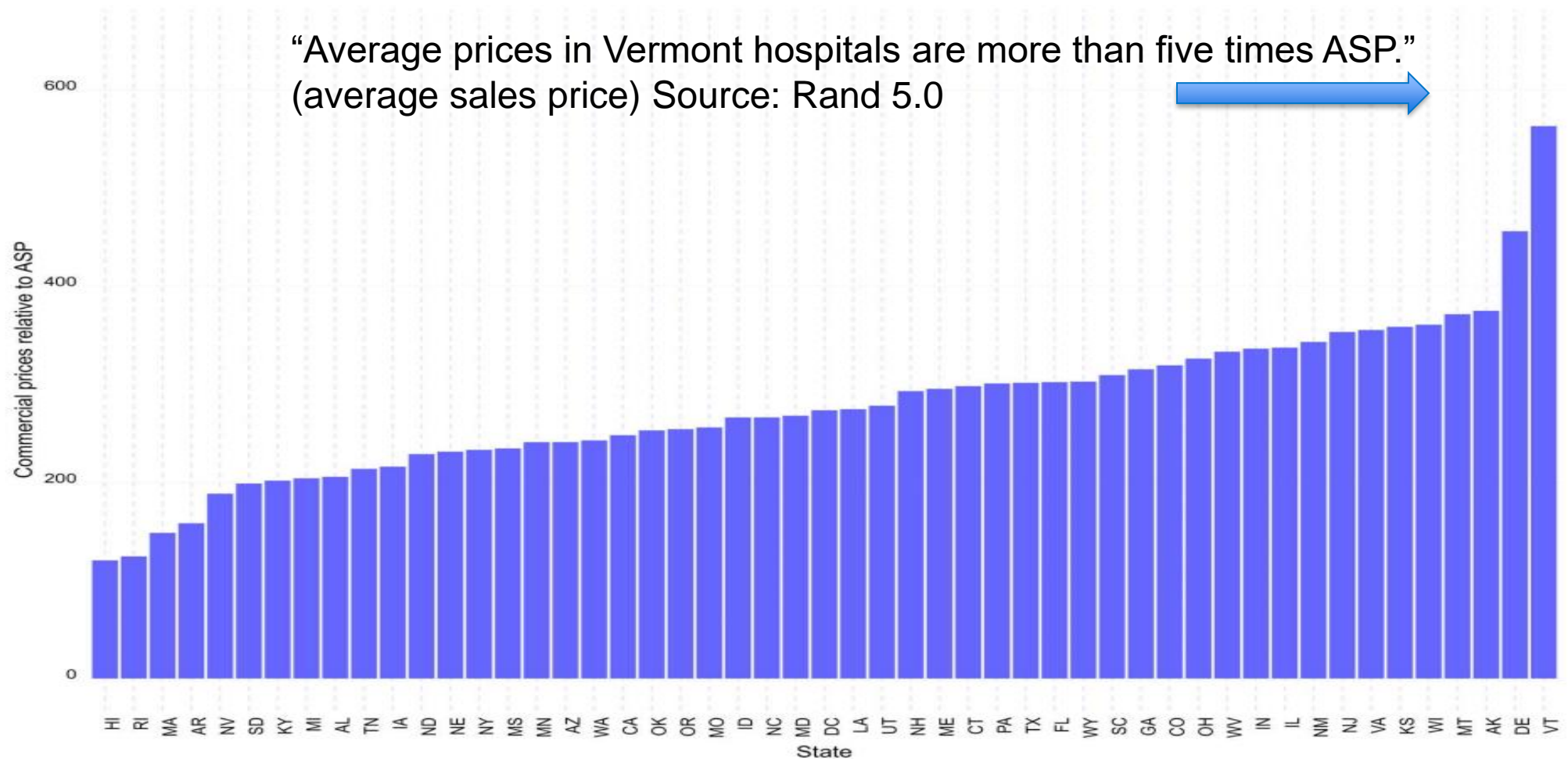
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COMMERCIAL DRUG PRICE COMPARISON IN HOSPITALS, BY STATE

Figure 4.7. State-Level Hospital-Administered Commercial Drug Prices Relative to ASP, 2020–2022



COMMERCIAL PAYER DRUG PRICING

The RAND 5.0 report found that national commercial prices for administered drugs received in hospital settings averaged 280% of the average sales price or ASP. Vermont is at 500%.

UVMHC's current mark-up from ASP on all of the following drugs significant, posing a significant hardship for our members and driving up premiums: (updated to ASP 1/1/25)

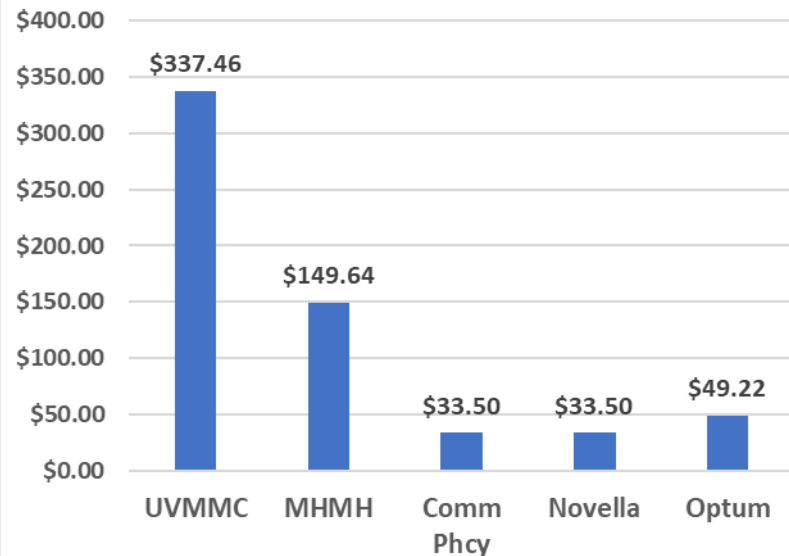
- Inflectra = **2,312%** (anti-inflammatory/autoimmune)
- Kanjinti = **943%** (cancer)
- Neulasta = **6,954%** (reduces infection)
- Remicade = **605%** (autoimmune diseases)
- Ruxience = **1,126%** (cancer)

Blue Cross VT's PBM, OptumRx, charges ~120% of ASP, on average, for these medications. If we procure all of the top 50 drugs directly for our members, Blue Cross VT members could save approximately \$46 million.

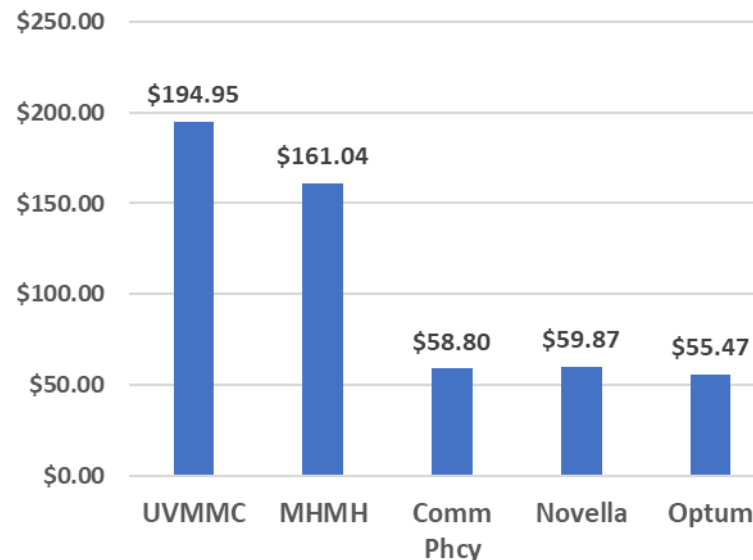


OUTPATIENT DRUG COST BY SITE OF CARE

Remicade (antii-nflammatory)



Keytruda (cancer drug)



- Vermonters covered by BCBSVT pay **\$32 more** per member, *per month*, than the national benchmark for injections and infusion drugs, administered through hospitals*
- These costs are increasing faster as well – by almost \$5 per member, per month more than the national benchmark*

KEY: 2024 Prices

UVMHN = University of Vermont Health Network

MHMC = (Dartmouth) Mary Hitchcock Medical Center

Comm Phcy = Community medical drug pharmacy

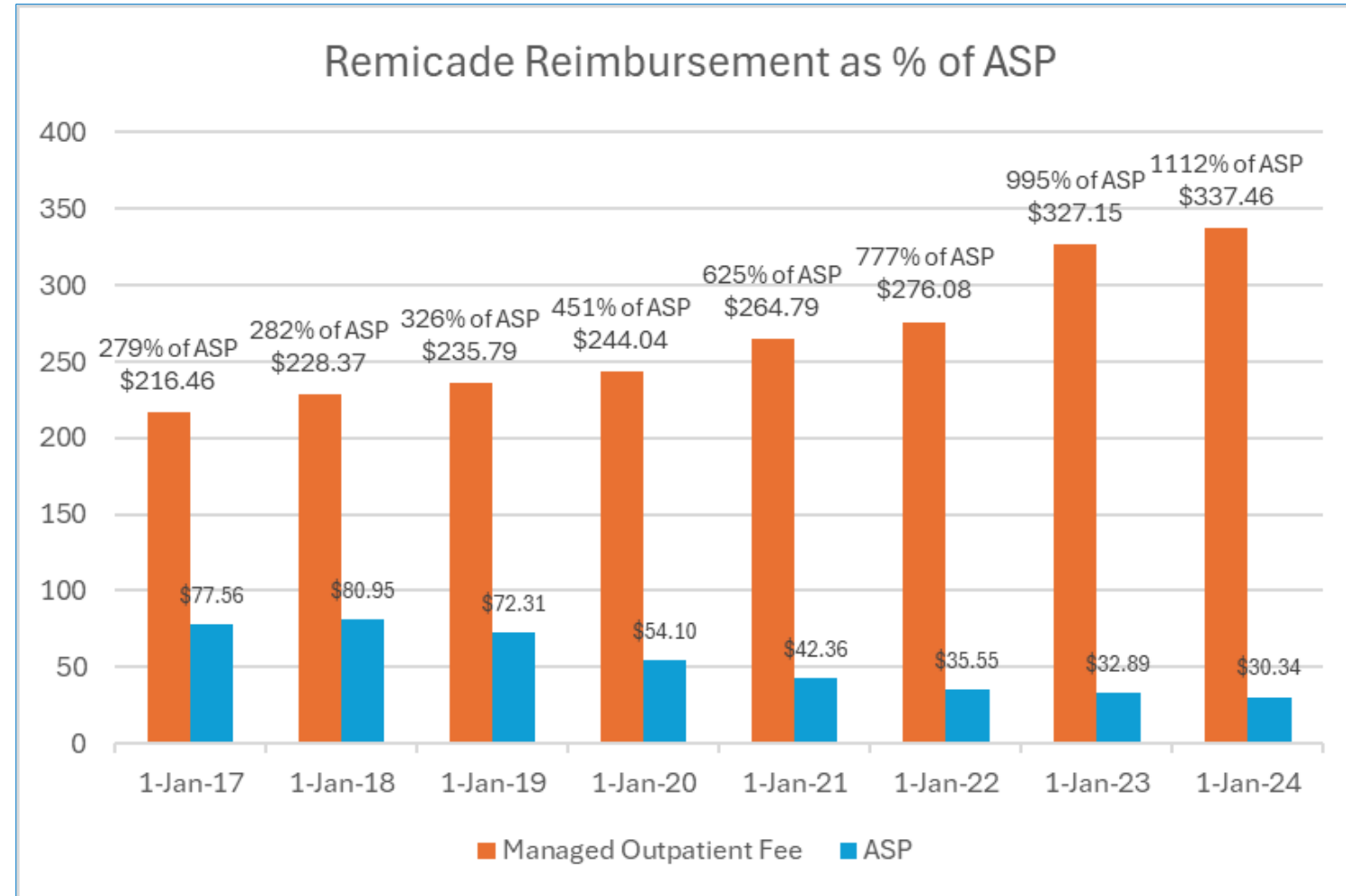
Novella = Vermont community drug infusion center in S. Burlington

Optum = Optum medical drug pharmacy

* Blue Health Intelligence Date (BHI), which leverages multiple data sources (217M members) to provide insights into health care quality, reduce costs, and enhance outcomes for Blue plans

REMICADE PRICING OVER TIME COMPARED TO THE AVERAGE SALE PRICE (ASP) 2018-2024 AT UVMMC

- Remicade is a costly medication for BCBSVT.
- From 2017 to 2024, the Average Sales Price (ASP) of Remicade has declined, while its charges have risen annually, now reaching approximately 1,112% of ASP.
- This does not factor in UVMMC's 340B acquisition discount, which is unknown but likely significant.*
- Over this period, Remicade's 56% price increase has generally aligned with the GMCB-approved budget growth of 52%.



* According to recent [CMS studies](#), the average 340B discount is around 34.7% off the Average Sales Price (ASP) of a drug, meaning a 340B hospital would typically pay a price that is 34.7% lower than the standard market price for that drug.

SPECIALTY DRUG PROCUREMENT TERMS

- **Buy and bill** is when medical providers purchase drugs directly from a wholesaler and administer them to the patient in a clinical setting. The drug is billed to the health insurer as part of the the medical claim.
- **White bagging** is when a specialty pharmacy dispenses a patient-specific medication and delivers it directly to the provider or hospital for administration to the patient. The drug is billed to the retail pharmacy benefit.

Other terms:

- **Clear bagging** when a hospital's internal specialty pharmacy dispenses the patient's prescription and transports the product to the outpatient clinic. Hospitals may be incentivized to shift to clear bagging because of 340B product discounts.
- **Brown bagging** is when the medication is provided directly to the patient, when then brings the drug to the setting where the drug is administered (hospital, provider office, infusion center or home.)
- **Site-selection** is when the insurer requires the patient to receive the drug treatment at a specific location such as a non-hospital setting, stand-alone infusion clinic, or at home.

WHITE BAGGING

The pharmaceutical **delivery chain of custody** ensures the authenticity, safety, and quality of medications from manufacturer to patient. This process involves tracking and documenting the movement of drugs, preventing counterfeiting, diversion, and contamination. The Drug Supply Chain Security Act (DSCSA) mandates electronic tracking of prescription drugs at the package level.

Medicare allows white bagging for specialty medications. Medications are covered by Medicare Part D, a pharmacy benefit. Buy-and-bill specialty medications are charged through Medicare Part B.

A handful of states ban (AK, LA, UT, VT) or restrict (MN, RI, TX, VA) white bagging. At present, a majority of states allow white bagging.

In 2024 OptumRx shipped 18.6% of all prescriptions to providers or hospitals, additionally:

- Medications do not ship unless there is consent from the patient and communications with the office staff and coordination of the delivery date.
- Delivery location does not change how a product is packaged. The same logic is used based on environmental and transit time to pack and deliver products.
- That process has a quality assurance internally thru audits and the packaging method is independently validated.
- Products shipped that require additional manipulation (reconstitution, dilution, etc.), that process is completed by the end user.

PERCENTAGE OF AVERAGE SALES PRICE (ASP)

What is ASP for drugs?

- CMS is the source of ASP [CMS ASP Pricing Files](#) The file is published quarterly.
- ASP is a widely used benchmark for Medicare Part B and Medicaid

Which payers key off of ASP?

- Medicare pays 106% of ASP except for some biosimilars that are 108% of ASP
- VT Medicaid pays 98.5% of ASP
- Blue Cross VT pays community providers 110% of ASP (infusion drugs are not commonly administered in these settings)

Hospital Administered Drugs and Commercial Prices

- VT hospitals set their prices for drugs administered in the medical setting on their Charge Masters for both inpatient and outpatient
- Outpatient drugs are not paid for in DRG/bundled arrangements with Blue Cross VT
- Inpatient drugs may be included in a bundled payment; *our focus is outpatient infusions*
- Note: some hospitals operate retail pharmacies, these drugs track the retail pharmacy channel and contract with insurer PBMs like other retail specialty pharmacies

BRIEF COMPARISON

Topic	White Bagging	Percent Cap of ASP
Margin	PBM's specialty pharmacy makes the margin on the spread between the wholesale vs commercial payer price	Hospitals makes the margin on the spread
Safety & Complexity	White bagging can safely deliver medications to hospitals in most instances; but may not be appropriate in every situation	Same as the current system, no change
340B	PBM's specialty pharmacy may qualify as 340B, insurer receives rebates on behalf of members to lower premiums	Current practice, hospital may be utilizing 340B pricing; insurer is not paid rebates; no member benefit
Benefit Coverage & OOP Costs	Billed and processed as a retail pharmacy claim; drug-specific cost cap in Vermont	Billed and processed as a medical claim; medical cost cap under ACA
Savings to Vermonters	The difference between the PBM's price and the hospital's price ~120% ASP; but not for every drug dispensed	Clear price that is equal across all payers and providers