BLUE CROSS VT 340B TESTIMONY

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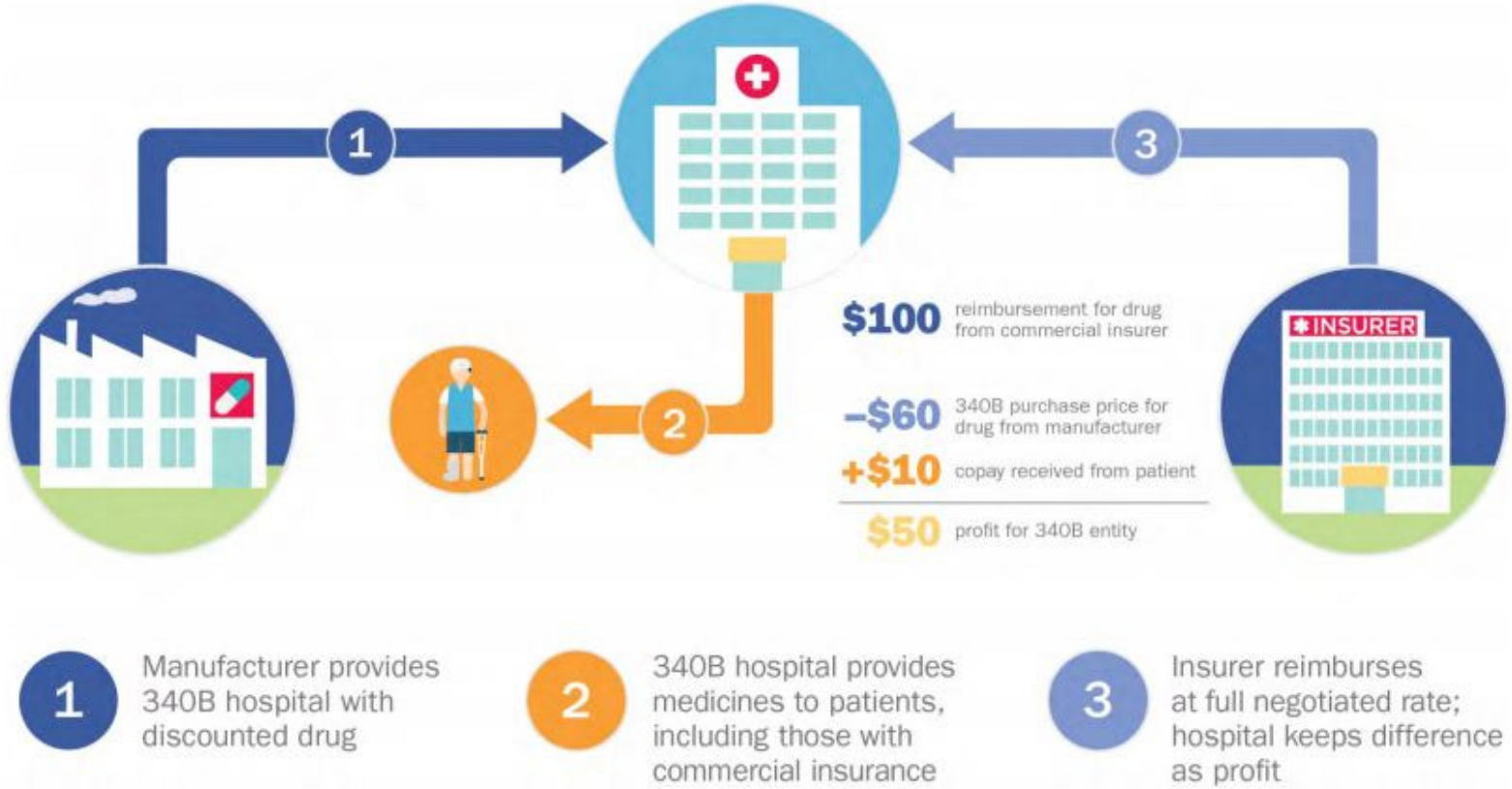
340B DRUG PRICING PROGRAM

- The federal 340B Drug Pricing Program, established in 1992, **was intended to help vulnerable populations access affordable medications** by allowing certain hospitals and clinics to buy drugs at discounted prices.
- The 340B program has grown dramatically in size and scope with provider facilities maximizing the revenue generating aspects of the program and increasing costs for patients with commercial insurance.
- The **340B program lacks transparency and oversight**, leading to undetermined “savings” being absorbed by hospitals and intermediaries instead of directly benefitting patients.

HOW 340B DISCOUNTS WORK*



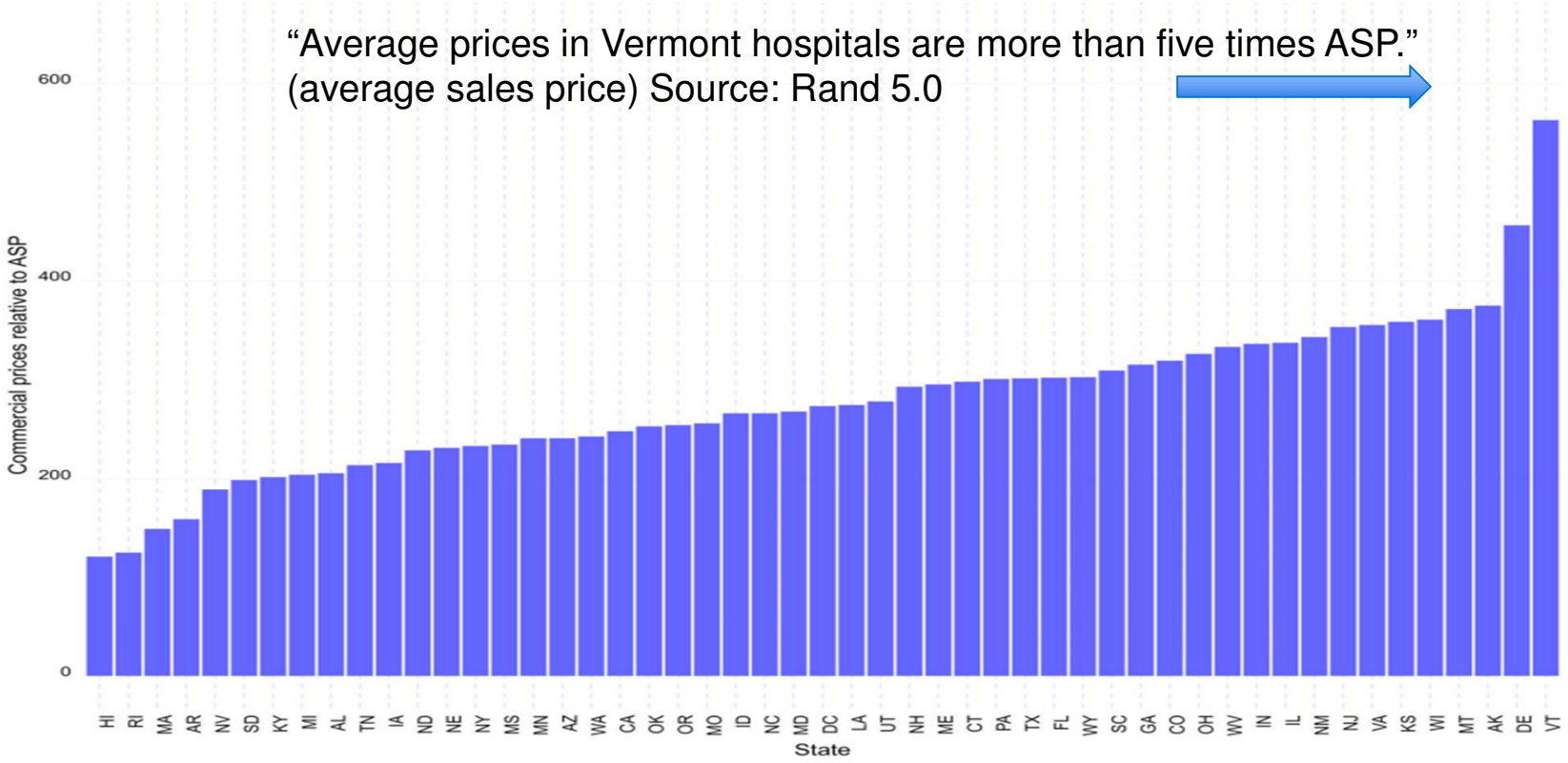
- **Rebates are not available for 340B drugs**
- **BCBSVT members pay more for 340B drugs**
- **Higher drug costs result in higher insurance premiums**

*Source AIR 340B

COMMERCIAL DRUG PRICE COMPARISON IN HOSPITALS, BY STATE

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

"Average prices in Vermont hospitals are more than five times ASP." (average sales price) Source: Rand 5.0



340B COMMERCIAL PAYER DRUG PRICING

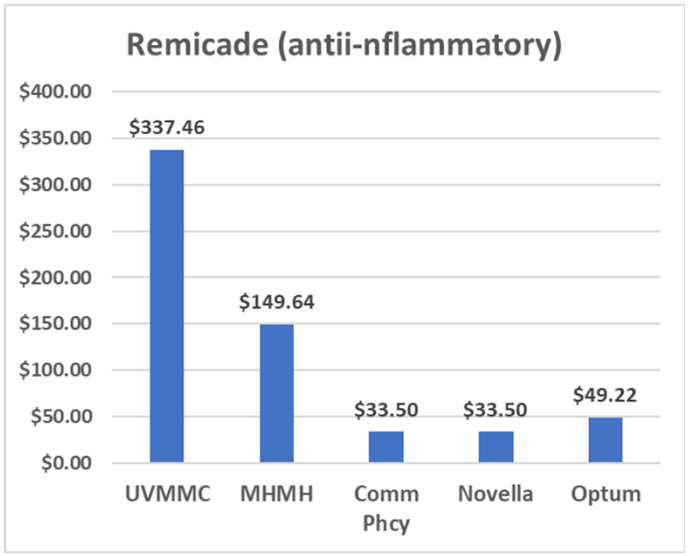
- The RAND 5.0 report found that national commercial prices for administered drugs received in hospital settings averaged 280% of the average sales price or ASP.

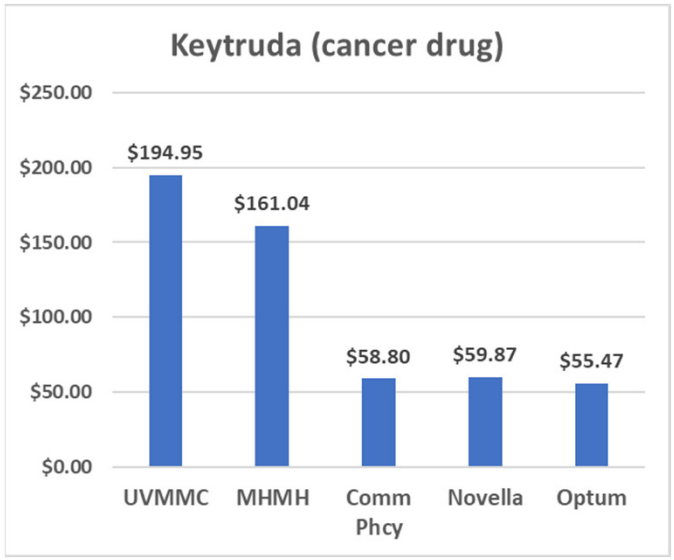
- **UVMMC's current mark-up from ASP on all of the following drugs is over 1000%**, posing a significant hardship for our members:
  - Inflectra = **1,550%** (anti-inflammatory/autoimmune)
  - Kanjinti = **1,487%** (cancer)
  - Neulasta = **1,161%** (reduces infection)
  - Remicade = **1,112%** (autoimmune diseases)
  - Ruxience = **1,031%** (cancer)

- All of these expensive drugs are obtained by UVMMC for far less than the ASP through the 340B program.*

* 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.

OUTPATIENT DRUG COST BY SITE OF CARE





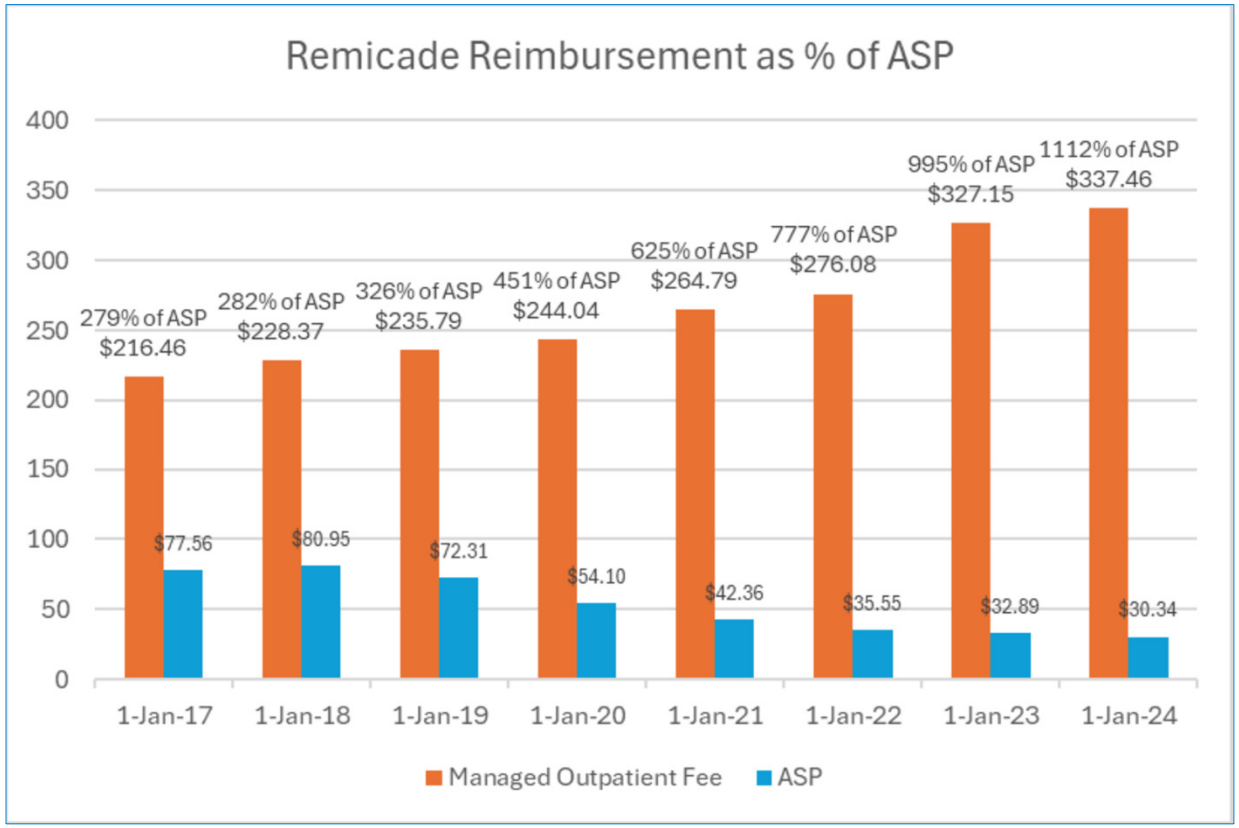
- Vermonters covered by BCBSVT pay **$32 more** per member, *per month*, than the national benchmark for injections and infusion drugs, administered through hospitals*
- These costs are increasing faster as well – by almost $5 per member, per month more than the national benchmark*

KEY
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%.



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340B DATA AND REBATE LOSSES

- **For FY2024**, if Blue Cross VT had the same rebate exclusion rate at DHMC and UVMMC as we did at Optum pharmacy, **the rebates for our members would have been about $12.6M higher**.
- **Our 340B "Reject" rate means the portion of prescriptions for which we do not collect rebates on those drugs. The higher the reject rate, the more our members pay for their drugs**.
- As demonstrated by the high reject percentage in the chart, UVMMC excels at optimizing the 340B program to generate revenue for the hospital.

Pharmacy	Claims	Generic Claims	340b Claims	340b Reject %
Dartmouth	1823	153	311	17.1%
UVM	2592	416	1184	45.7%
Optum	2779	352	152	5.5%

VERMONTERS PAY MORE

- Rebates are not available for 340B drugs
- BCBSVT unable to use existing contracts to get our members lower pricing
- BCBSVT members pay more (full price) for 340B drugs
- Higher drug costs result in higher insurance premiums

BLUE CROSS VT PROPOSALS

Increase transparency in the 340B drug price program:

- Require that hospitals report the 340B manufacturer price paid for each drug.
- Require each hospital disclose the amount charged to insurance companies for each 340B medication dispensed.
- Require each hospital to report on the utilization of the financial margins generated from the 340B program including patient care, community health programs, administrative services, and other hospital operations.
- Report the percentage of the 340B drug margin reinvested into programs specifically benefiting underserved and low-income populations.
- Evaluate the impacts of the program on patients, hospital budgets, and commercial health insurance premiums before making additional changes that could have negative consequences.
- Share these findings with the Legislature, regulators and the public.
- Support more detailed reporting than is described in H.202 Section 3.