Prescription Drug Cost Containment Opportunities for Vermont

Kathryn O’Neill, Director of Prescription Drug Pricing
Michelle Luengas Lozano, Health Policy Analyst for Prescription Drug Pricing

Green Mountain Care Board

VERMONT

Act 134 of 2024

Act 134 (S.98) directed GMCB to explore and create a framework and methodology for implementing a program to regulate prescription drug costs in Vermont.

Project Overview

In December 2024, GMCB executed a contract with Onpoint Health Data and subcontractor Horvath Health Policy to conduct in-depth analysis and national landscape review, to develop evidence-based policy recommendations that address drug spending in Vermont.

The policy recommendations, reports and data dashboards are the result of this one year-long collaboration.

Three Reports

Figure 1: Composite image of three overlapping report covers produced as part of the Green Mountain Care Board's work under Act 134. Decorative.

1. Act 134: Preliminary Report on Implementing a Vermont Prescription Drug Cost Regulation Program (January 2025)
2. Addressing the Costs of Prescription Drugs in Vermont: Review of Existing Efforts and Possible Paths Forward (May 2025)
3. Act 134 of 2024: Final Report Prescription Drug Affordability in Vermont (January 2026)

Three Data Dashboards

Utilizing VHCURES (Vermont's All Payer Claims Database), we developed three analyses that reflect the state's current environment relating to prescription drug spending and we propose evidence-based strategies to improve affordability. For each analysis, readers will be able to explore a dashboard that serves as a visual representation of the results found, followed by a link to a supplementary report that provides methodology detail.

1. Repricing Analysis With Cost Plus Drug Company (Methods)
2. Repricing Analysis With Medicare Maximum Fair Price Drug Price Negotiation Program (Methods)
3. Analysis of High-Dispensing and High-Expenditure Drugs in Vermont (Methods)

Regulatory Levers Implemented in 2025

18 V.S.A. § 9406 (Act 55 of 2025 (H.266)) restricts Vermont hospitals (except those designated as independent Critical Access Hospitals) from billing insurers more than 120% of a drug's Average Sales Price (ASP) for drugs administered in the facility.

In addition, Act 55 requires each Vermont hospital participating in the 340B drug pricing program to submit a report about their participation to the Green Mountain Care Board (GMCB) annually by January 31. Vermont hospital 340B program participation reporting is an important lever through which the State may facilitate continuous monitoring and improvement of health system performance by means of data transparency to improve the quality and affordability of care.

> NOTE: GMCB established 340B reporting guidance that requires hospitals to report their data into a data portal and GMCB will produce the reports.

Drug Cost Containment in Vermont

- Vermont's specific circumstances – a small population and limited legal authority to directly regulate prices – favors voluntary, market-based cost-containment strategies.
  - Success depends on broad participation from in-state stakeholders –purchasers, providers, pharmacies, employers, health plans, and consumers.
  - Policies must deliver shared benefits so that each stakeholder group gains from lower drug costs.

- Greatest potential lies in generic and biosimilar markets, where market entrants offering generic products at low prices could generate statewide savings and improve affordability without harming retail pharmacies.

Summary of Policy Recommendations for Vermont

Alternative Purchasing Models	PDAB Monitoring	Discount Cards	Advisory Committee	Transparency Program
Leverage Civica Rx and Cost Plus Drug Company as suppliers for lower cost prescription drugs with a coalition across the industry in Vermont including hospitals, payers, pharmacies, and state agencies.	Continue to monitor the progress of Prescription Drug Affordability Boards (PDABs) in other states and learn from those experiences.	Consider the distribution of pharmacy discount cards through the non-profit multi-state partnership organization ArrayRx.	Establish an advisory committee with experts in the pharmaceutical supply chain, as well as payer and PBM services and operations for the pharmacy cost review process.	Develop a comprehensive prescription drug price transparency program strategy.

Overview of Key Methods for Analyses

- Primary data source was the Vermont Health Care Uniform Reporting and Evaluation System (VHCURES)
  - Pharmacy claims with fill dates between January 1, 2018, and December 31, 2024
  - Claims from commercial plans, Medicaid, and Medicare Part D
  - Classified brand and generic drugs based on the IBM Micromedex® Red Book® database

- For some analyses:
  - Missing data from self-insured plans was imputed to project true spending or savings
  - Inflation factors (CPI price growth for medical commodities in New England) were used to project current spending from data available in the APCD

- Pharmacy rebate data not available in VHCURES. Projected savings based on allowed amount, including member responsibility, prior to the application of any rebates

Trends in Vermont Prescription Drug Spending, 2018–2023

Trends in Prescription Drug Retail Pharmacy Spending

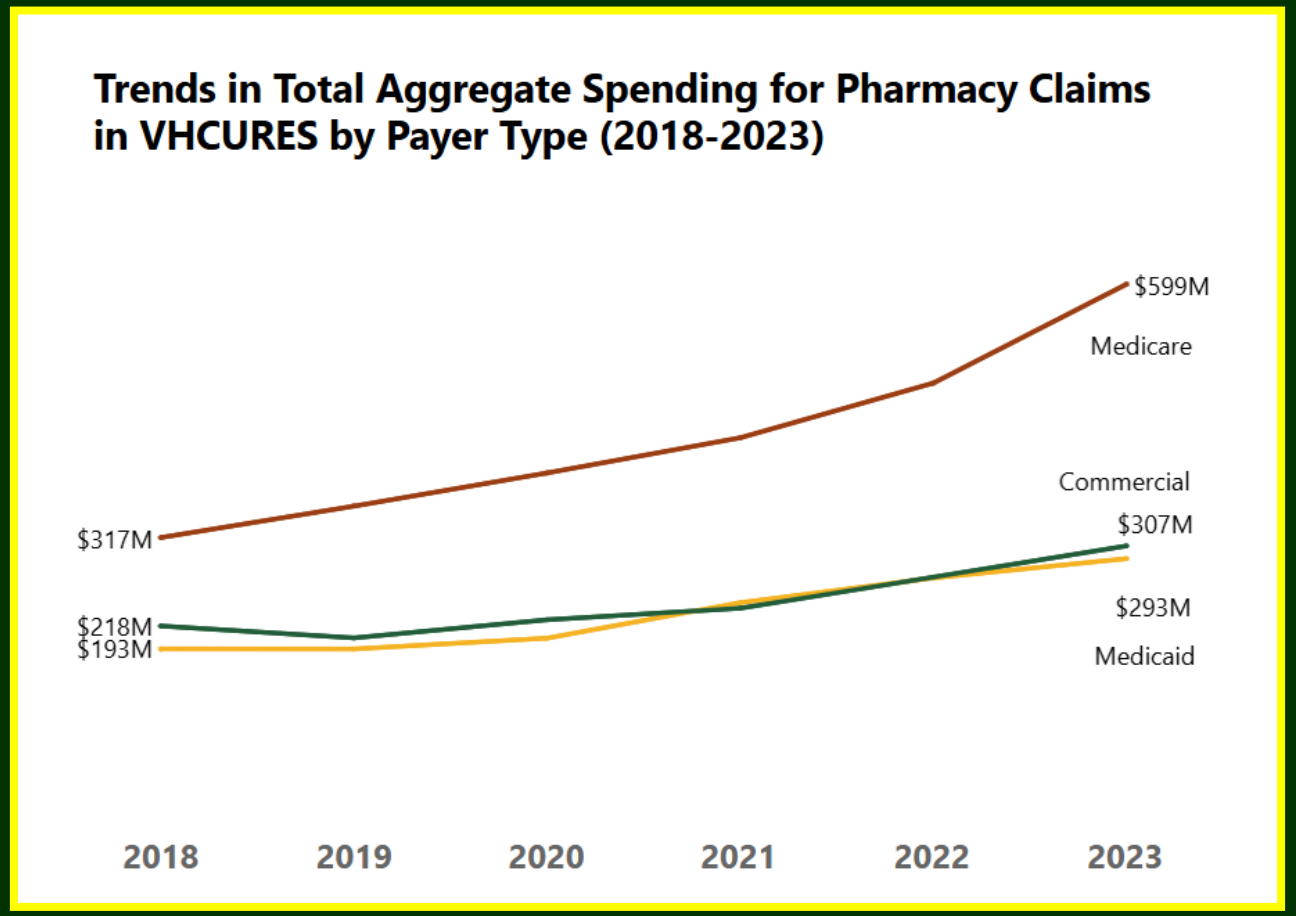


Figure 2: Line chart showing total pharmacy spending in Vermont's VHCURES by payer from 2018–2023, with Medicare rising sharply to about $599M in 2023, while commercial spending reaches about $307M and Medicaid about $293M.

Prescription drug spending in Vermont continues to rise, reaching nearly $1.2 billion in 2023, despite long-standing efforts to control costs. Medicare members face the highest burden, averaging $4,915 per member per year (PMPY) spending in 2023.

ONPOINT Health Data VERMONT

VT Prescription Drug Utilization & Gross Spending (2023)

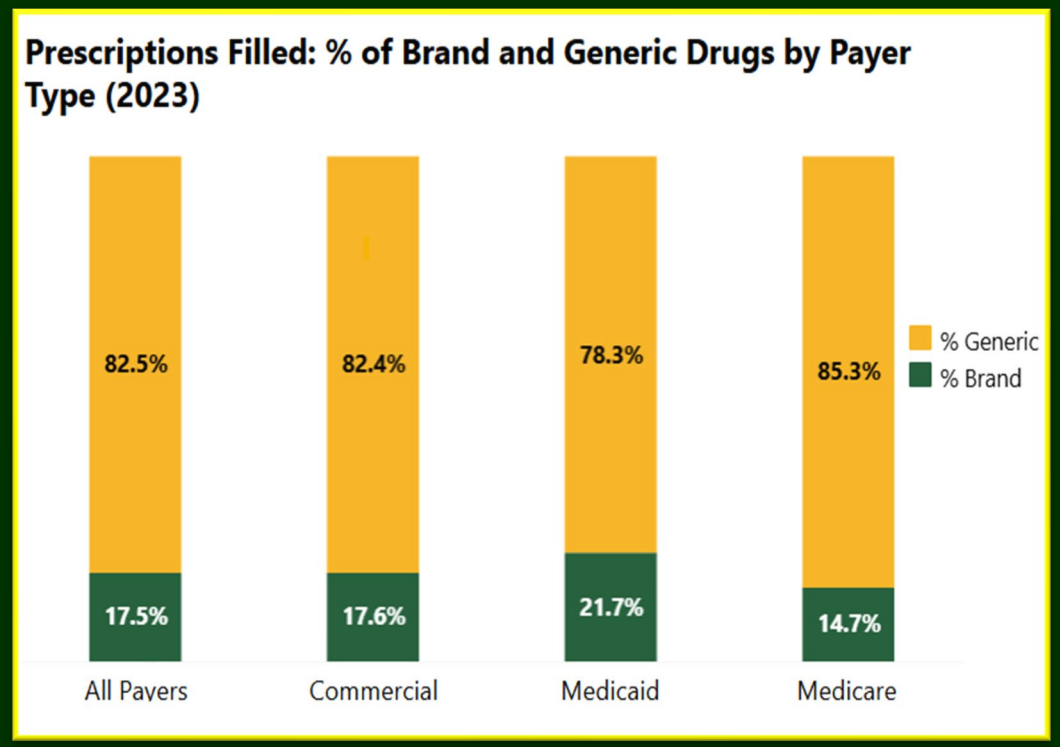


Figure 3: Stacked bar chart showing the share of generic versus brand prescriptions filled in 2023 by payer type, with generics comprising about 82.5% for all payers, 82.4% for commercial, 78.3% for Medicaid, and 85.3% for Medicare, and brand drugs making up the remaining share.

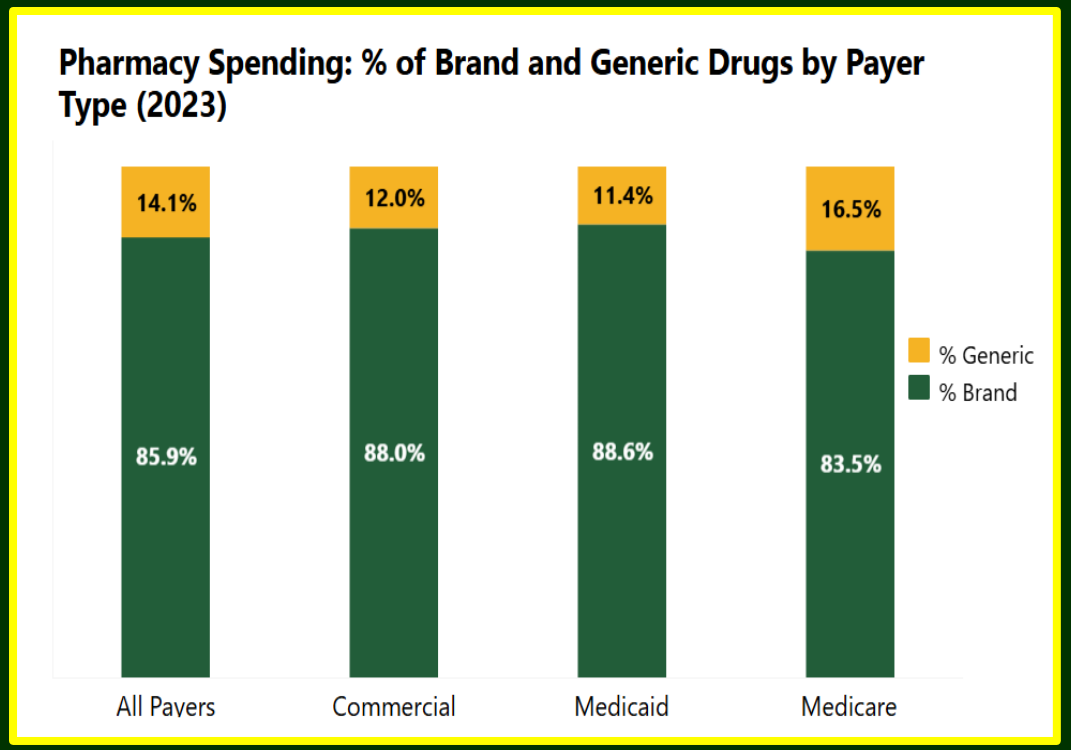


Figure 4: Stacked bar chart showing pharmacy spending in 2023 by payer type, with brand drugs accounting for most spending—about 85.9% for all payers, 88.0% for commercial, 88.6% for Medicaid, and 83.5% for Medicare—while generics represent a much smaller share.

Analysis of VHCURES data shows that while generics account for 82% of prescriptions filled across all payers, brand-name drugs drive nearly 86% of retail pharmacy spending, particularly among the Medicaid population, where brand-name utilization remains significant (21.7%).

ONPOINT Health Data

VERMONT

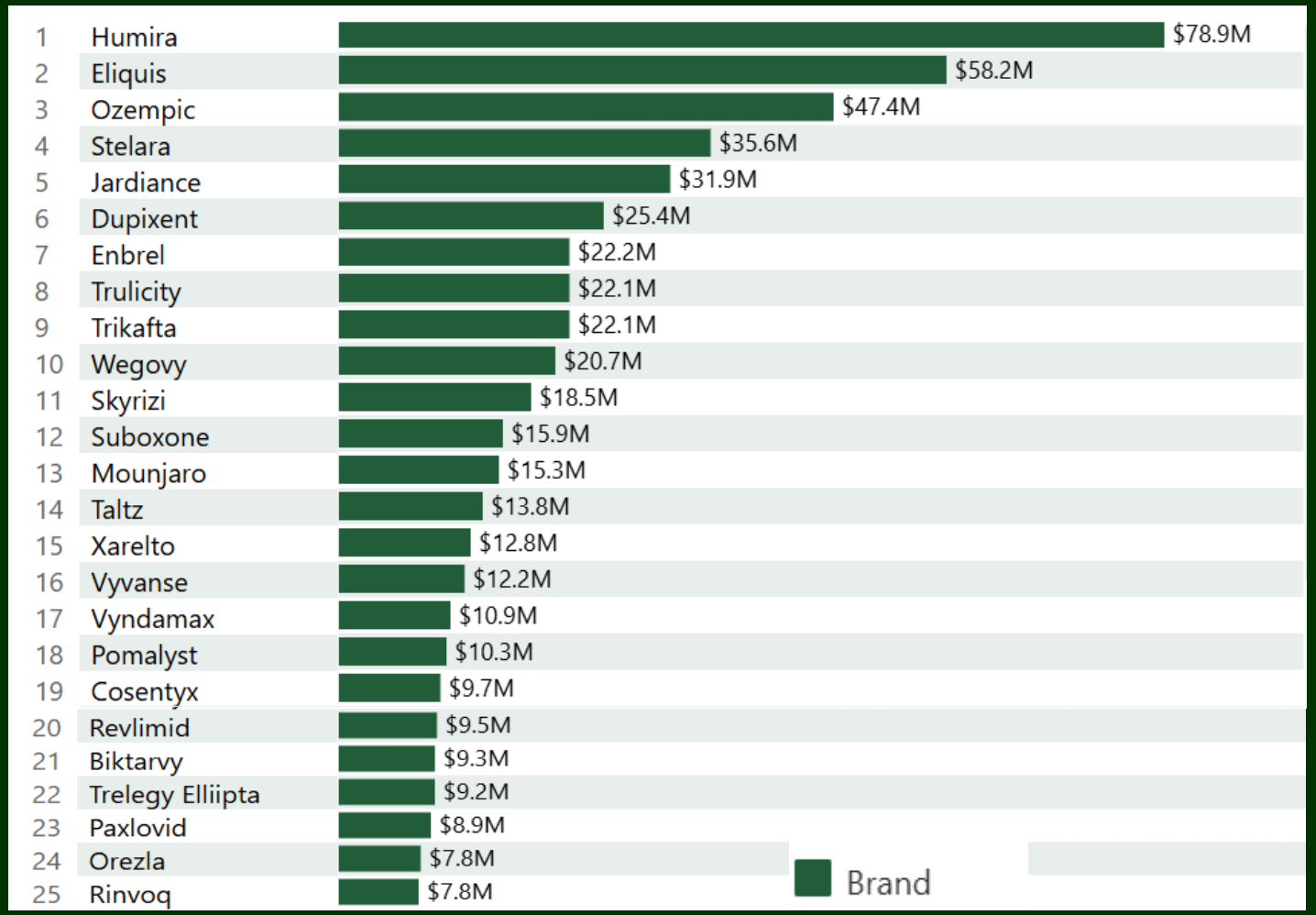
Vermont's Top 25 Drugs in Spending, Utilization, and Annual Cost Increases (2018–2024)

VT GMCB Pharmacy Top 25 | Tableau Public

ONPOINT Health Data

VERMONT

Top 25 Drugs with the Highest Total Pharmacy Claims Spending in 2024



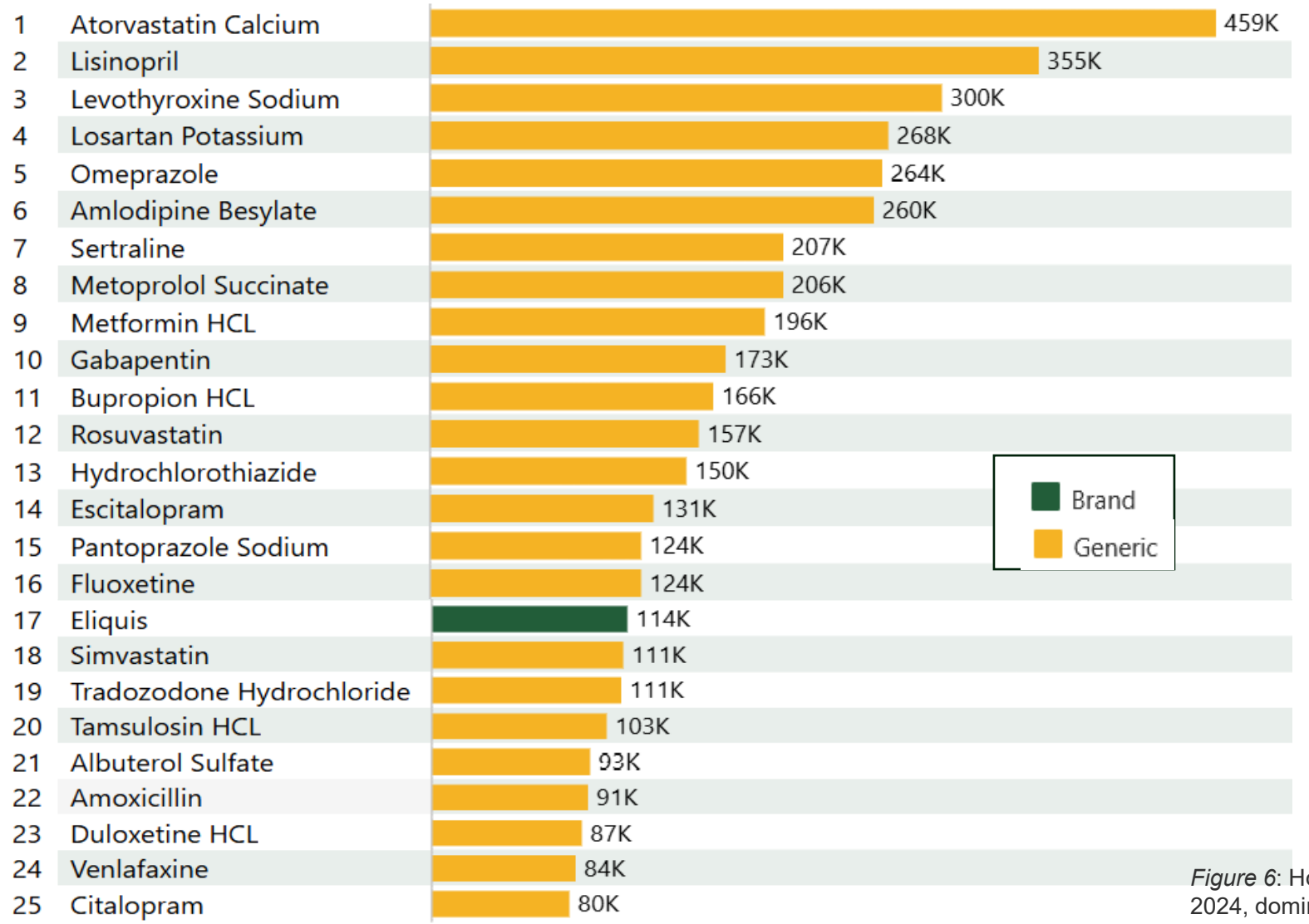
Across all payers, spending was concentrated in brand-name drugs, with Humira leading the top of the list at nearly $80 million in total spending.

Biologics such as Enbrel and Skyrizi ranked highly as well, reflecting the high cost of treating chronic inflammatory conditions.

Figure 5: Horizontal bar chart showing Vermont's top 25 prescription drugs by total pharmacy claims spending in 2024, led by Humira ($78.9M), Eliquis ($58.2M), and Ozempic ($47.4M), with all listed drugs being brand-name products.

ONPOINT Health Data VERMONT

Top 25 Most Commonly Filled Medications, 2024



Measured in a 30-day supply of the prescription, utilization across all payers was largely driven by generic drugs. The most widely used medications were cardiovascular therapies such as Atorvastatin Calcium and Lisinopril.

Mental health medications also ranked prominently with high volumes for Sertraline, Bupropion, and more.

Also, gastrointestinal treatments like Omeprazole and Metformin showed broad, cross-population use.

Figure 6: Horizontal bar chart showing Vermont's top 25 most filled medications in 2024, dominated by generics such as atorvastatin (459K fills), lisinopril (355K), and levothyroxine (300K), with only one brand drug (Eliquis) appearing in the top 25.

Top 25 Brand Drugs with the Highest Price Increases, 2021-2024

Over three years and looking at 30-day price equivalents, the most notable price increases occurred among oncology and rare disease treatments. For instance, Kisqali, a breast cancer therapy, led with a 140% increase, followed by Hemlibra, used for hemophilia, at 129%. These drugs have very low usage rates.

A broader set of mental health, addiction, and immunology drugs saw price increases, ranging from 30% to 52%, including Cosentyx and Uptravi.

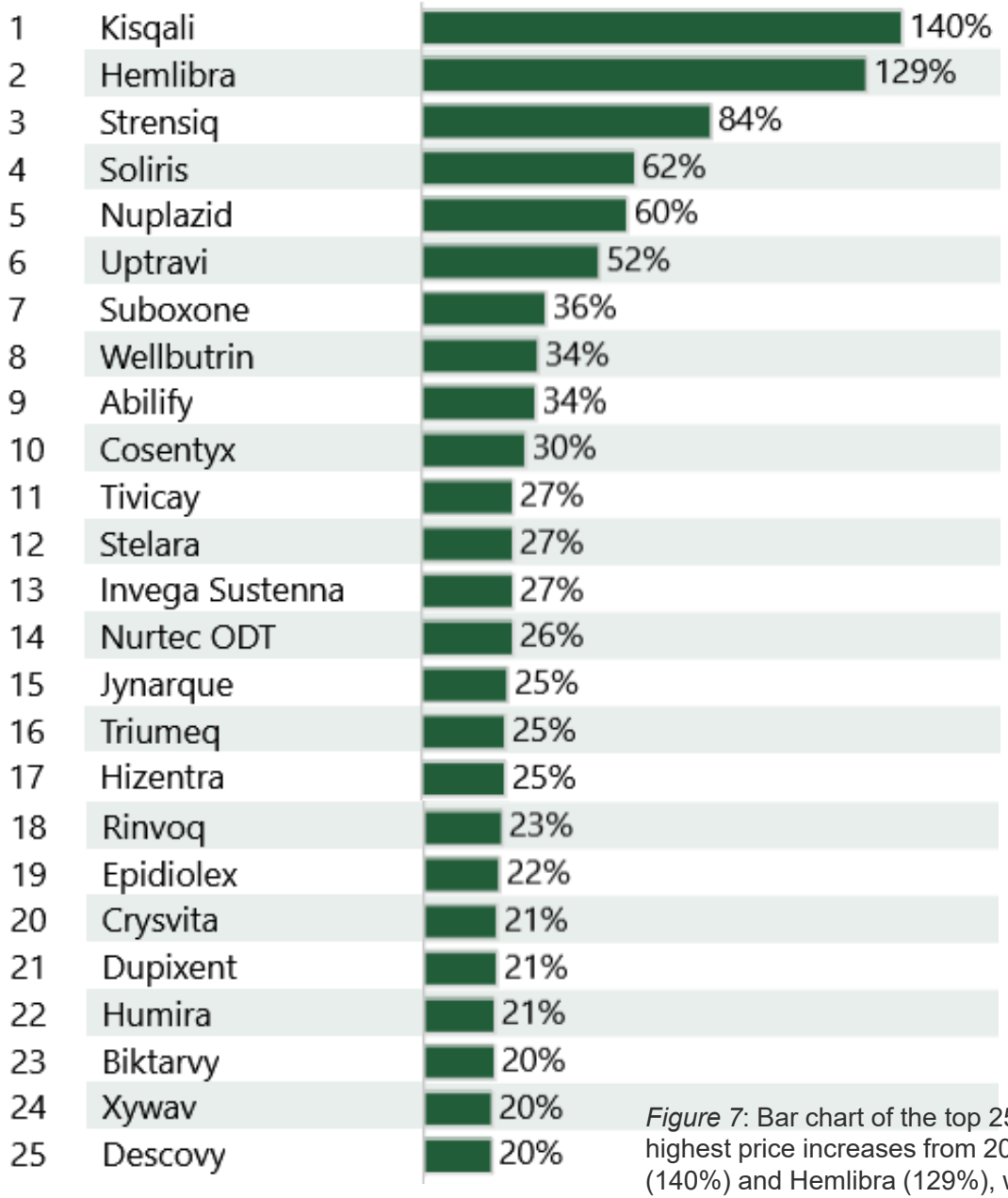


Figure 7: Bar chart of the top 25 brand drugs with the highest price increases from 2021–2024, led by Kisqali (140%) and Hemlibra (129%), with large increases concentrated among oncology and rare disease drugs.

Lowering Generic Drug Costs

ONPOINT Health Data

VERMONT

The Cost Plus Drug Repricing Analysis

VT GMCB Repricing Analysis With Cost Plus Drug Company Analysis | Tableau Public

ONPOINT Health Data VERMONT

The Cost Plus Drug Model

- The **Cost Plus Drugs (CPD) model** is a voluntary cost-control program that uses transparent pricing **(manufacturing cost plus 15%)**
- Vermont could leverage this existing disruptor in the generic pharmaceutical through a rate-setting reimbursement model, with public and private health plans limiting provider networks to those willing to stock CPD drugs and bill at CPD prices.
- If adopted, CPD could cover 1,811 drugs already used by Vermonters
- In 2023, spending for these drugs was an estimated $32.9 million across all payers
- Adjusting for inflation, this value would increase to $36.4 million by 2025

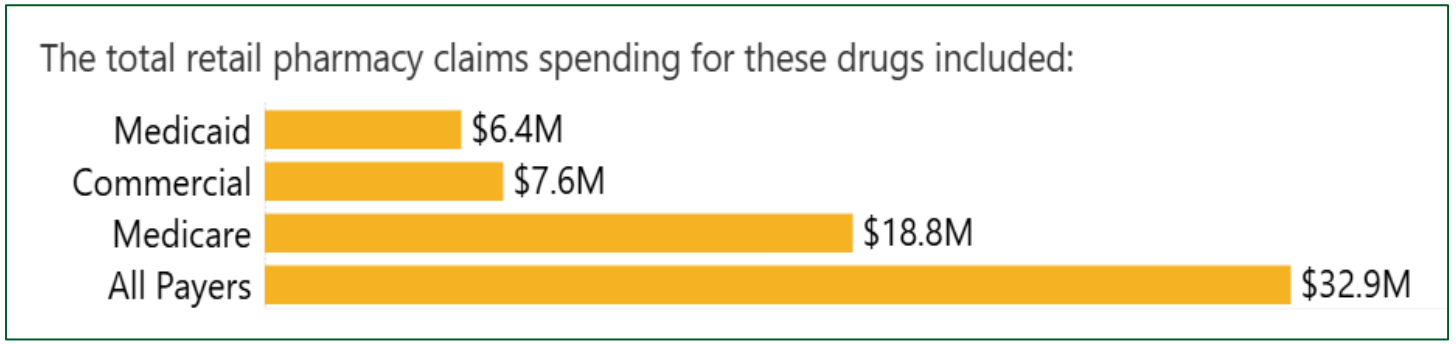


Figure 8: Yellow bar chart showing estimated 2023 retail pharmacy spending for Cost Plus–eligible drugs in Vermont by payer: Medicare ($18.8M), Commercial ($7.6M), Medicaid ($6.4M), and $32.9M across all payers..

MARK CUBAN CostPlus DRUG COMPANY

ONPOINT Health Data VERMONT

Potential Savings of the Cost Plus Drug Model in Vermont

- **Potential Savings in 2025**: $23.6 million across payers, with $14.1M in savings among Medicare members alone
- Across all payers, Vermont would achieve discounts of 64.9% for the drugs on the CPD drug list

Estimated Potential Savings from Switching to a Cost Plus Model (2025)

	Total Prescriptions Filled from Cost Plus Formulary	Total Spending on Cost Plus Drugs Formulary (estimated 2025)	Projected Spending if Switched to a Cost Plus Model	Total Projected Annual Savings Under Cost Plus Model	Projected % Savings Under Cost Plus Model
Commercial	178K	$9.3M	$3.8M	$5.4M	58.7%
Medicaid	179K	$6.9M	$2.8M	$4.1M	59.4%
Medicare	393K	$20.3M	$6.2M	$14.1M	69.6%
All Payers	749K	$36.4M	$12.8M	$23.6M	64.9%

Note: These figures include projected savings for self-insured commercial plans not included in the VHCURES database. They also include estimated adjustments for inflation in spending between 2023 and 2025.

Table 1: Table showing estimated 2025 savings from switching to a Cost Plus model, with projected annual savings of about $23.6M across all payers, including $14.1M for Medicare, $5.4M for commercial plans, and $4.1M for Medicaid, representing savings of roughly 59–70%.

Civica Rx

Civica Rx – Hospital Inpatient Services

- Civica Rx is another market disruptor in the generic drug space
- Offers transparent, cost-based pricing designed to make essential medications more affordable
- Focuses on producing generic prescription drugs used in inpatient hospital care
- Has infrastructure, manufacturing, wholesale distribution, and administrative capacity, and can supply drugs at consistently low, predictable prices

Considerations for Civica Rx in Vermont

- This would be a voluntary program
- Civica Rx could be a supplier for inpatient hospitals
- State could support Civica Rx membership for these facilities
- To encourage the adoption of Civica's inexpensive generic insulins, Vermont health plans and PBMS could set their reimbursement rates in line with Civica's published prices
- Would complement the Cost Plus Drug program

Consolidating Generic Drug Purchasing

Voluntary program encouraging health plans to reimburse at cost plus and Civica rx prices

No administrative burden for plans to track participating vs. Non-participating pharmacies

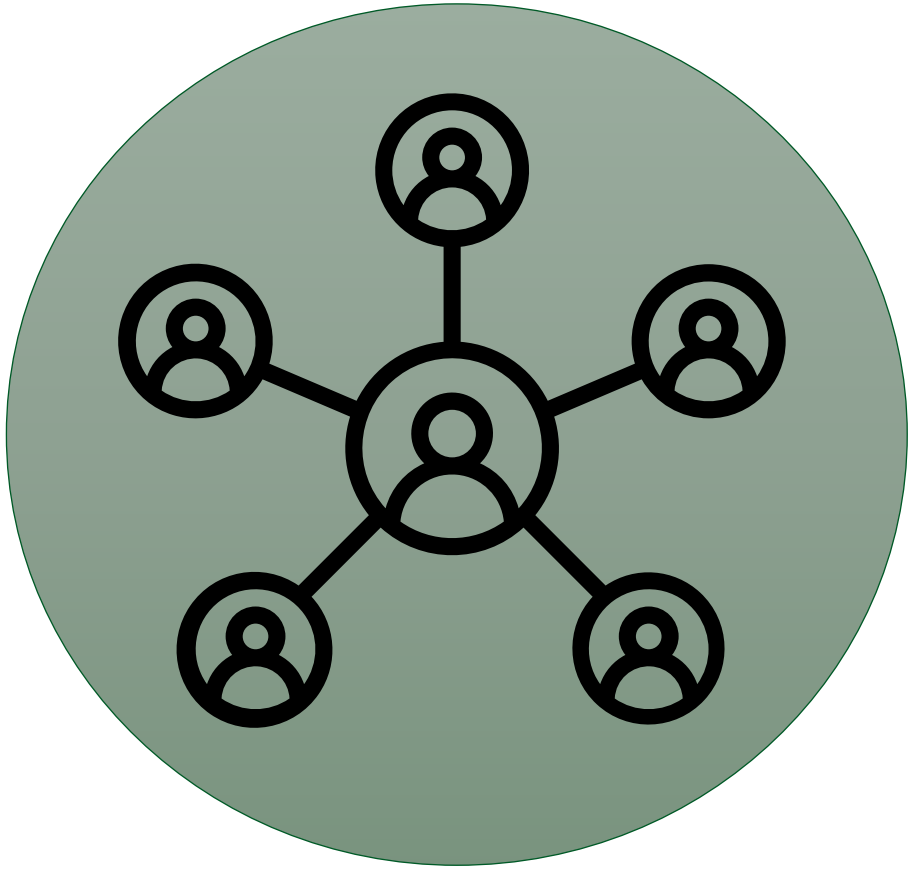
Retail pharmacies are included (not mail-order only)

Aligned financial incentives so that dispensers have no reason to buy from higher-priced sources

No incentive to game system as cost plus and Civica rx pricing is open and transparent

Pharmacies may see reduced margins, so plans could consider adjusting the dispensing fee to compensate

Focus on generics would reduce but not eliminate 340B profits



The Big Picture

- Moving forward, aligning stakeholders around Cost Plus and Civica Rx participation could provide Vermont with a pragmatic, scalable process to reduce prescription drug spending while maintaining access.

- Additionally, it is important to note that this approach needs to be multidisciplinary and a complement to potential opportunities addressing expensive brand-name drugs.

Approaches to Branded Drugs & Biologics

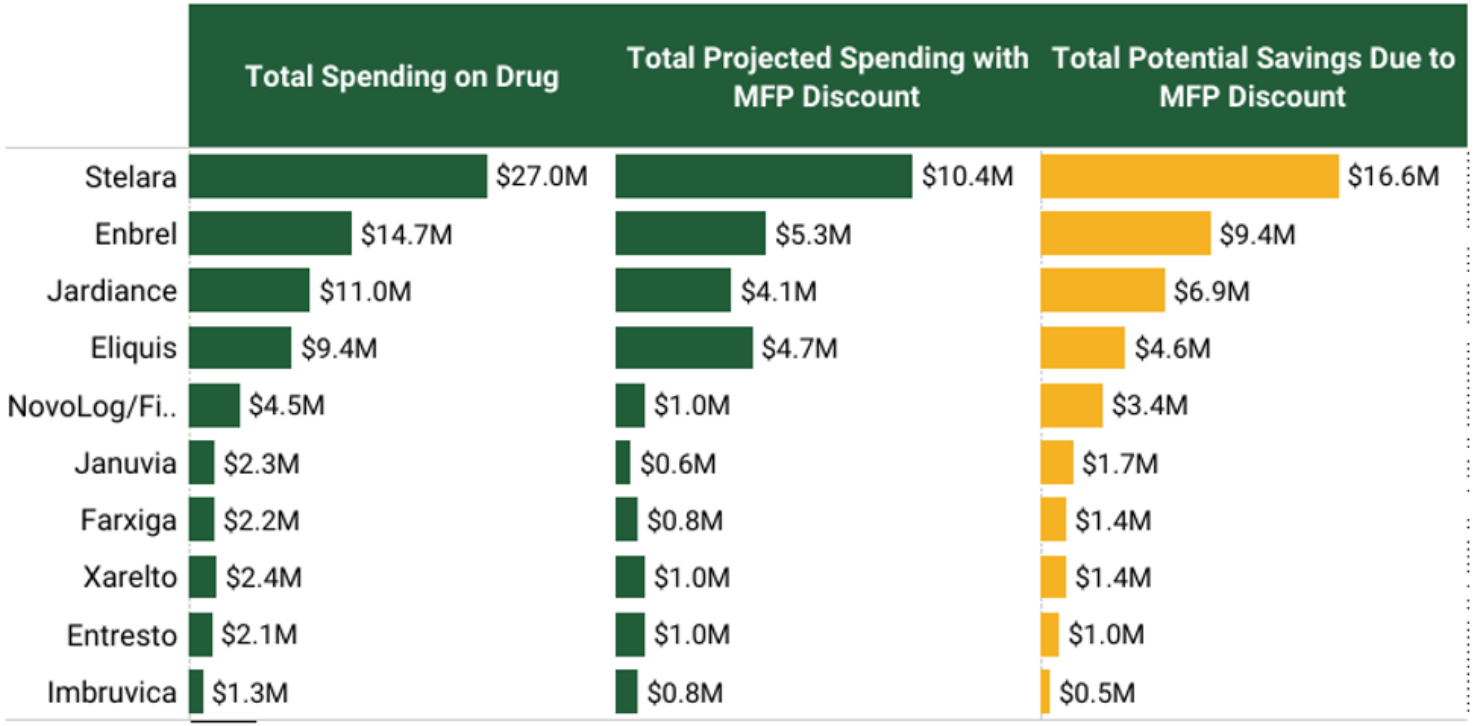
- Unlike generic market, the path for Vermont is less clear for brand name drugs
- The State should continue to monitor…
  - Direct-to-consumer sales
  - State Upper Payment Limits and Prescription Drug Affordability Board Activity
  - Rebate Pass-Through
  - Direct-to-Consumer Aggregator Web Portals
  - Medicare Maximum Fair Pricing

Maximum Fair Price (MFP) Analysis

VT GMCB Medicare MFP Pharmacy Analysis | Tableau Public

ONPOINT Health Data VERMONT

Projected Savings Gained by Repricing MFP Drugs for commercial and Medicaid



Note: These figures include projected savings for self-insured plans not included in the VHCURES database.

Figure 9: Bar chart comparing current spending, projected spending with the Medicare Maximum Fair Price (MFP) discount, and total potential savings for selected high-cost drugs, showing the largest savings for Stelara ($16.6M), Enbrel ($9.4M), and Jardiance ($6.9M).

- Dramatic savings for the specialty biologics (e.g., Stelara and Enbrel for autoimmune diseases)
- Drugs with high utilization accounted for significant savings (e.g., Jardiance for diabetes, Eliquis as an anticoagulant)

MFP Program Expansion Challenges

Policy makers in several states have contemplated making the negotiated Medicare price of a product the statewide upper payment limit for that product in the state. This may no longer be a solid strategy because of foreseeable trends:

- 2025 law expanded number of drugs that are exempt from negotiation under MFP rules.
- As rare disease product launches outnumber non-rare disease treatments, Medicare will be negotiating to lower the cost of fewer expensive products.
- Medicare prices established for 2026 indicate that the negotiated price is roughly equivalent to the current level of price concessions already in the market to PBMs, healthcare providers, and facilities and is less than prices in other countries.
- Using the Medicare MFP is not likely to produce much greater savings for costly drugs beyond what will soon be available in the market to all consumers via new direct-to-consumer efforts.

Thank You

For further inquiries, please contact us at:

Kathryn.ONeill@vermont.gov
Michelle.Lozano@vermont.gov

Discussion