Increasing Accountability: Policy Pathways to Lower Drug Prices in Vermont

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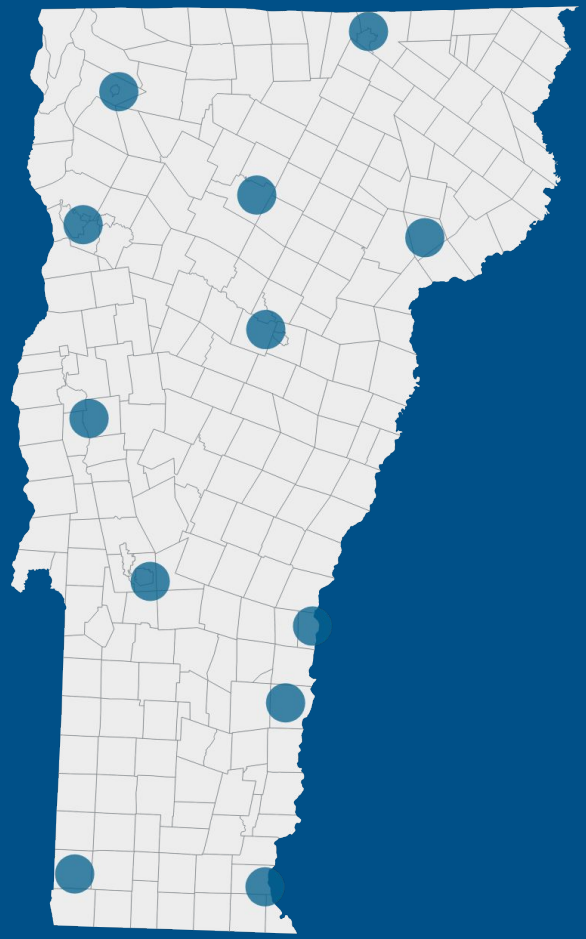


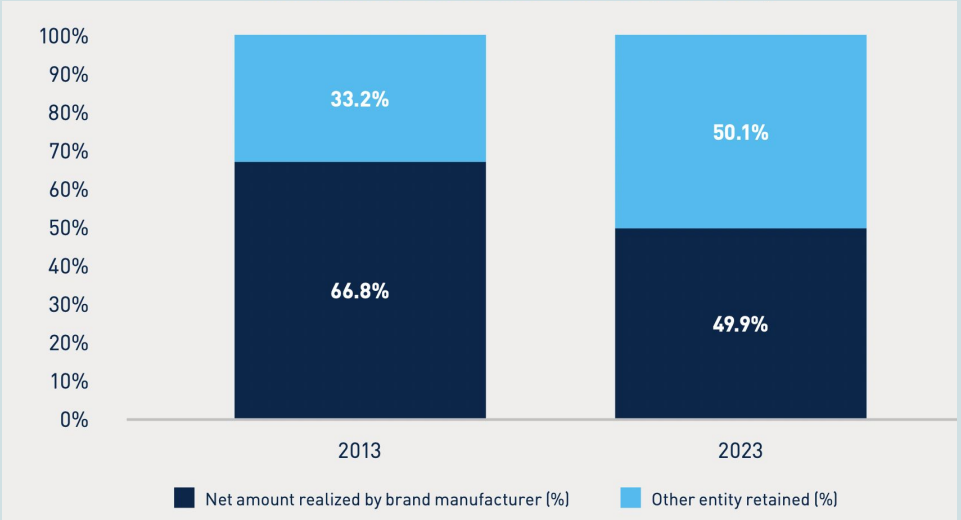
Prescription drugs are expected to be the **FASTEST** growing category of health spending in the next decade:

Exceptionally high drug prices mark the US as an outlier among high-income countries

In 2022, payers spent **$603 billion** on prescription drugs, which represents a **91% increase** over the past 20 years

A growing proportion of total drug expenditures is going directly to supply chain entities other than manufacturers …

% of Total Drug Expenditures Received by Manufacturers vs. Other Entities: 2013 compared to 2023



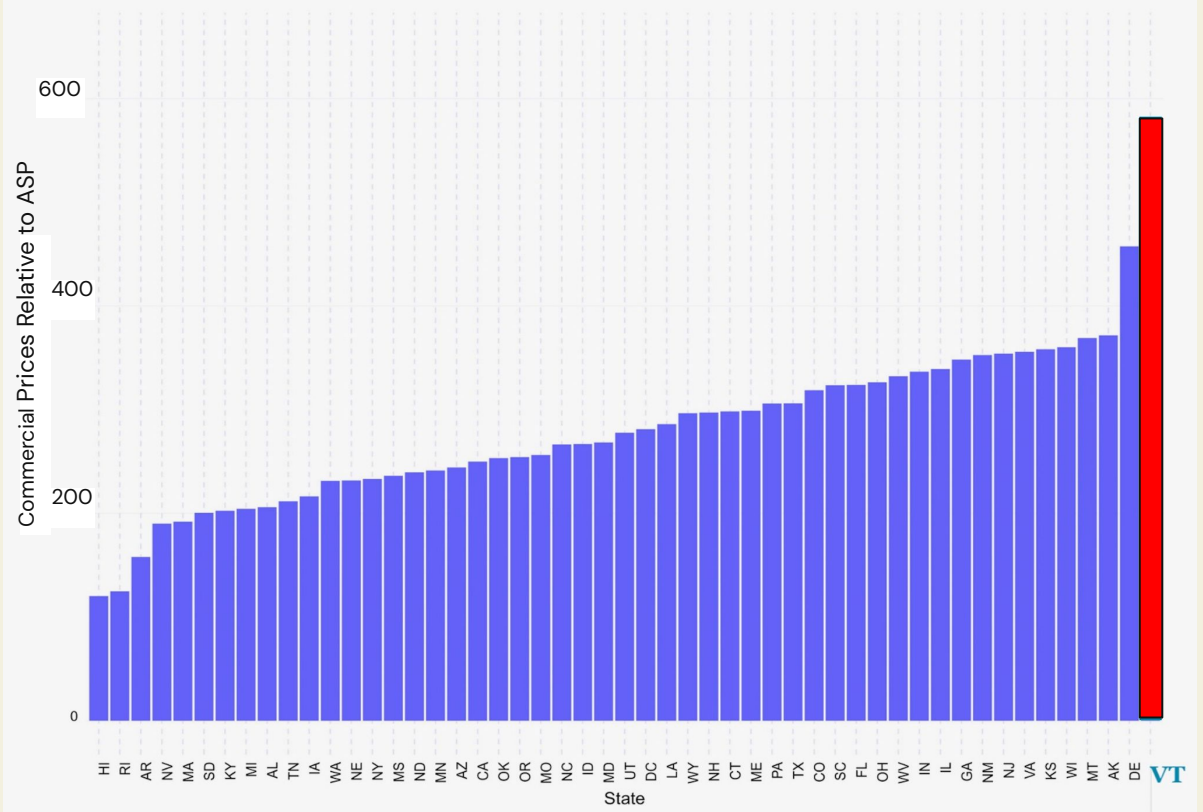
Blalock, E., Ferritto, M., & Taylor, J. "The Pharmaceutical Supply Chain, 2013-2023." *Berkeley Research Group*. (2025). https://cdn.aglty.io/phrma/global/blog/import/pdfs/PhRMA_Supply-Chain-2013-2023_White-Paper_V484.pdf

Defining the problem: Rising prescription drug prices in VT

Vermont, hospital-administered drugs on average are over **500% of the ASP, far exceeding price markups of hospitals across the country**

ASP: the Average Sales Price of a drug reported by manufacturers after accounting for discounts and rebates

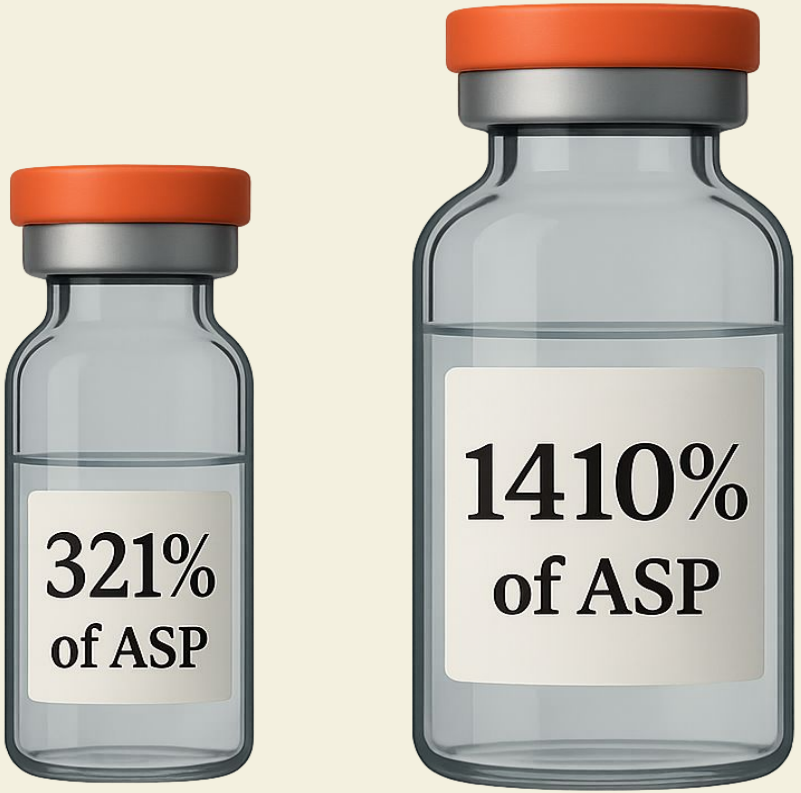
State-Level Hospital-Administered Commercial Drug Prices Relative to ASP in the U.S. 2024



Whaley, Christopher, Rose Kerber, Daniel Wang, Aaron Kofner, and Brian Briscombe. 2024. "Prices Paid to Hospitals by Private Health Plans: Findings from Round 5.1 of an Employer-Led Transparency Initiative." RAND. https://www.rand.org/pubs/research_reports/RRA1144-2-v2.html.

Financial Pressure on Commercial Insurance and Payers

High insurance premiums **reduce affordability** and **access** for individuals in need of prescription drug medication. As a result, medication non-adherence becomes prevalent, where practices like skipping doses or not filling prescriptions are common.



Other Hospitals in Vermont

Rutland Regional Medical Center

Price markups RELATIVE TO ASP for Remicade, an immunosuppressant, Data from BCBSVT

Quick definitions

Pharmacy Benefit Managers (PBMs): intermediaries between manufacturers and pharmacies that determine prices and access to medications

PBMs CVS Caremark & Express Scripts cover over 95% of insured commercial patients in Vermont

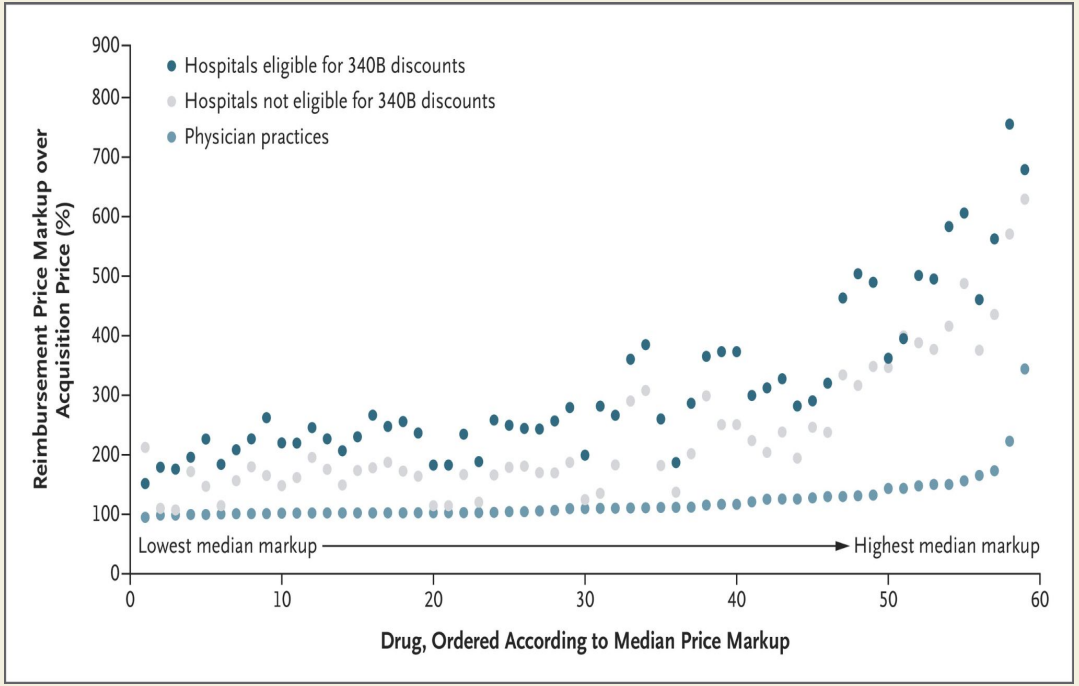
340B Drug Pricing Program: Federal program that requires drug manufacturers to discount prescription drugs sold to hospitals that serve low-income/uninsured populations

14 out of Vermont's 15 hospitals are 340B covered entities

Concerns about 340B Drug Pricing Program

- Hospitals eligible for 340B are more likely to have higher markups than non-eligible hospitals (Robinson et al., 2024)
- Currently, 340B covered entities are not required to report how 340B revenue is being spent - *Are revenues supporting low-income populations as intended?*

Comparison of Drug-Infusion BCBS Reported Reimbursement Price Markups over Acquisition Price (%) for Eligible and Not Eligible Hospitals for 340B Discounts Across the U.S.



Robinson, James, Christopher Whaley, and Sanket Dhruva. 2024. "Hospital Prices for Physician-Administered Drugs for Patients with Private Insurance." *The New England Journal of Medicine* 390 (4). https://doi.org/10.1056/NEJMsa2306609.

Minnesota's Effort to Increase 340B Transparency

In **2023, Minnesota passed statute 62J.312** which requires all 340B covered entities to report acquisition costs for drugs, total payments received from patients and insurers, contract pharmacy costs and the number of prescriptions filled.

In fall of 2024, **Minnesota published a report detailing their findings and challenges,** which provides a good example of what a pricing transparency bill could look like in VT

Reported Findings:

- $630 million was reported as 340B revenue in 2023
- 70% was contributed by only 17 drug families
- Minnesota State Report did not disclose a summary of how 340B revenue was utilized

Reported Challenges:

- $630 million in 340B revenue may only account for **HALF of the actual revenue** generated by 340B prescription drugs
- Lack of clarity in statute surrounding office-administered drugs

What does this mean for VT?

- Consideration of data collection methods, capacity and barriers in VT healthcare system

Recommendation #1: Heightened 340B reporting requirements for ...

Hospitals

Problem: ambiguous language in Minnesota 340B statute caused failure to report office-administered drugs

Solution: Prevent similar reporting errors by modifying language in H.226 section 2 -Reporting on Participation in 340B Drug Pricing Program:

Hospitals required to report aggregated acquisition cost and payment amount for 340B drugs "dispensed **and administered to**" patients

PBMs

Problem: 340B "spread pricing" tactics

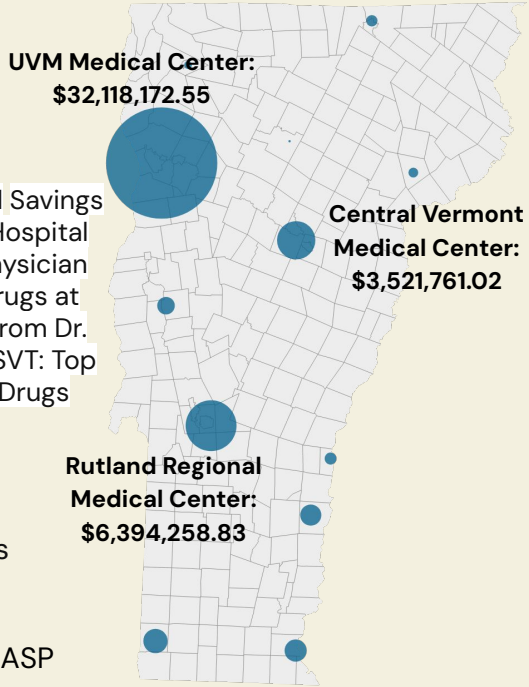
Solution: Strengthen the provisions set out by Act 127 (H.233) by requiring PBMs to submit an annual report to the Department of Financial Regulation detailing 340B reimbursement methodology

Report should include:

1. Median reimbursement rates paid to both covered entities and contract pharmacies for both 340B drugs, and non-340B providers and pharmacies for those same drugs
2. Description of any differential reimbursement methodology applied to 340B claims versus non-340B claims
3. Any fees or other adjustments applied to 340B claims

Mandatory submission of this report as a condition of obtaining and maintaining licensure in the State

Recommendation #2: Cap Hospital-Administered Drug Costs at 120% of their ASP



Estimated Annual Savings for BCBSVT by Hospital from Capping Physician Administered Drugs at 120% ASP, Data from Dr. Tom Weigel, BCBSVT: Top 50 Outpatient Drugs

Problem: Great financial pressure on privately insured due to high markups by 340B covered hospitals

Solution: Capping Hospital-Administered Drug Costs at 120% of their ASP for Commercial Insurers

Why 120%?

- According to CMS estimates, **340B hospitals purchase drugs at around 65%** of their ASP
- Additional 20% would provide coverage for administrative, handling and inventory costs, closely reflecting Medicare reimbursement rates which are set at 106% of ASP
- Therefore, **permitting around a 55% markup** will still allow hospitals to generate revenue to support services and administrative costs

Impacts on 340B Revenue

- Use of 340B revenue is unknown
- **90% of total cost savings for BCBSVT** based on the top 50 outpatient drugs for FY 2025 or 2026, will be generated by the University of Vermont Medical Center, Rutland Regional Medical Center and the Central Vermont Medical Center

With support from BCBSVT

Proposal Limitations ...

- We recognize that hospitals rely on this revenue to support services that could impact low income individuals
- However, a majority of the impact would fall on just three hospitals

& Opportunities for Change!

- This is a small piece of a larger solution (and we know that there are a lot of efforts underway centering on rural hospital sustainability)
- These recommendations hinge on collaborative efforts across the Vermont Legislature and Healthcare System

Acknowledgements

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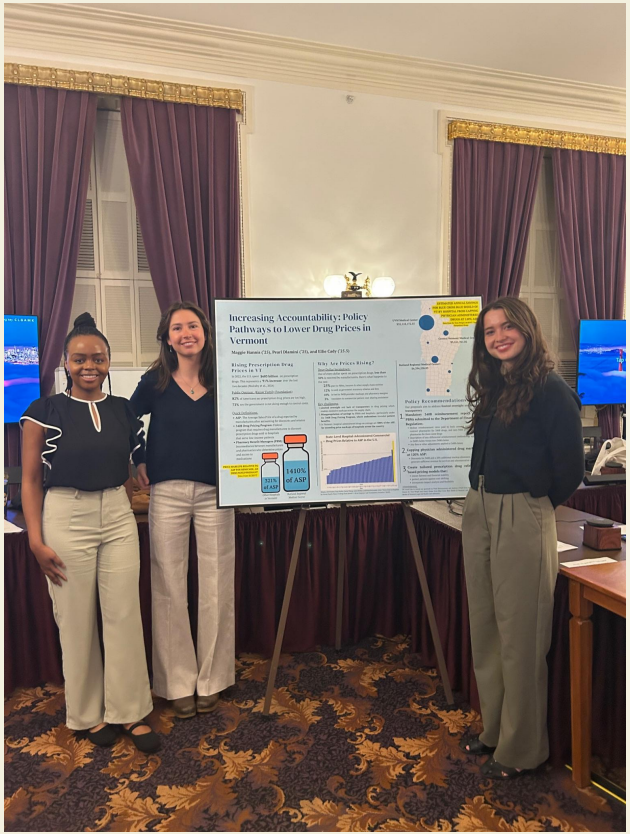

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