H.266 Testimony

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Good morning, first let me thank you for your service to the people of Vermont. I know the task ahead of you is difficult and complicated. I appreciate that complexity and want you to know my goal in being here is to help you find a safe and workable solution. So, thank you for this opportunity to speak with you today.

A bit about my background so that you know the context from which I share my thoughts with you. I am a graduate of Lyndon State College, obtained my master's in administration from St. Michael's College and my master's in healthcare delivery science from the Tuck School of Business and the Geisel School of Medicine at Dartmouth College. I am board certified in healthcare management and a fellow of the American College of Healthcare Executives. I have spent the last twenty-four years leading hospitals in Vermont, New Hampshire and Maine. During that time, I also served on the American Hospital Association's regional policy board for New England, serving for three years as its chair. I also served three years on the board of trustees of the American Hospital Association. I share this information with you not to impress you, rather to demonstrate that I understand the importance and impact of health policy as well as its short and long-term impact.

H.266, **as it is written**, is a flawed and unsustainable policy that will negatively impact the health and safety of Vermonters. While benchmarking outpatient medication prices against average sale price (ASP) is a realistic strategy, making the jump from the highest cost State to the 20% to 30% below the current lowest cost State is reckless and will result in immediate access issues to patient needing important treatment. Are you aware that the ASP includes kickbacks from drug companies to insurance carriers? As such, ASP does not reflect the reality of the cost. Here are five examples of medications we use every day at Northwestern Medical Center (NMC):

1. Inflectra (a biosimilar medication used to treat several chronic inflammatory autoimmune diseases)
    a. ASP/unit - $92.50 (100mg vial)
    b. NMC recent best pricing/unit - $450.00 (100 mg vial)
2. Remicade (is a prescription medication used to treat diseases such as Crohn's Disease and Ulcerative Colitis.
    a. ASP/unit - $305.23 (100 mg vial)
    b. NMC recent best pricing/unit - $875.28 (100 mg vial)

3. Rituxan (a medication used to treat certain cancers and autoimmune diseases.)
    a. ASP/unit - $764.33 (100 mg vial)
    b. NMC recent best pricing/unit - $939.52 (100 mg vial)
4. Granix (a medication used to reduce the duration of severe neutropenia (low white blood cell count) in patients undergoing chemotherapy)
    a. ASP/unit - $36.60 (300 mcg/0.5 ML)
    b. NMC recent best pricing/unit - $59.87 (300 mcg/0.5 ML)
5. Truxima (a biosimilar medication to Rituxan)
    a. ASP/unit - $347.59 (100 mg vial)
    b. NMC recent best pricing/unit - $448.98 (100 mg vial)

These are just five of the higher volume medications we use at the NMC infusion center, a department that just barely breaks-even. Were this law to go into effect **as written**, we would have no other option but to close our infusion center as NMC is already operating at a negative operating margin and has for seven out of the last eight years resulting from an 8% rate decrease in 2016 budget, rather than the 0% we submitted. Further, it is also my understanding that UVMMC does not have the capacity to absorb our patient volume.

As a reminder, NMC is the lowest cost outpatient hospital and the second lowest cost inpatient hospital in Vermont. Over the past 14 years, NMC has had the lowest average annual rate increases (3.87%). Over the past 5 years, NMC has had the lowest average expense growth (3.5%). According to GMCB data, we spend more of our budget on direct patient care than any other Vermont hospital. Lastly, all hospitals in Vermont received a letter from BCBS recently outlining a list of medications that BCBS felt were priced inappropriately high. NMC had one (1) medication on that list.

So, what is the answer? While ASP is not a perfect or even strong benchmark, it seems to be the only one we have. **In reviewing the data, it appears that the national average for outpatient drug pricing benchmarks against ASP at about 350%. It strikes me as a fair and prudent policy decision, and while I cannot speak for my peers I feel safe saying I believe Vermont hospitals would agree, we need to get to the national average.** I know at this rate, NMC can keep its unit open. Anything lower, and we would be forced to close.

I know there is discussion about hospitals funding these new operational losses with operational reserves. **NMC has lost 34% of its days cash on hand in the last four years. Today, our days cash on is 198.** The bill would make a permanent reimbursement change. Funding that with cash reserves is not prudent, practical or sustainable. We would also respectfully ask for this bill to take

effect on January 1, 2026, allowing us the time to make the necessary changes to the thousands of changes in our system.

In closing, I will reiterate the words I opened with, I know the task ahead of you is difficult and complicated. I appreciate that complexity and hope what you heard from me today that there is a safe and workable solution. **Please, do not hit Vermont with a blunt instrument.** Change is necessary. Timely change is critical. **Make sure you make a smart change and not cause harm to Vermont in need of care.** Thank you.