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April 16, 2026

Senator Virginia Lyons, Chair
Vermont Senate Committee on Health and Welfare
155 State Street
Montpelier, VT 05602

RE: Office of the Health Care Advocate Testimony in Favor of H.577

Dear Chair Lyons and Members of the Committee:

Thank you for the opportunity to submit testimony regarding H.577 on behalf of the Office of the Health Care Advocate (HCA).

The HCA supports H.577 as passed by the House. We would support this Committee moving the bill forward without further amendment, or, if the Committee believes additional safeguards are needed, with only a narrow adjustment related to monitoring impacts on pharmacy viability.

H.577 is a prescription-drug affordability bill. By authorizing Vermont to join ArrayRx, a multi-state prescription drug discount program, the bill would give Vermonters access to another set of negotiated prescription drug prices. That access would be available not only to insured Vermonters, but also to uninsured Vermonters and, indeed, to anyone with a valid Vermont address. In a system where prescription drug pricing is opaque, fragmented, and often untethered from pharmacies' actual acquisition costs, access to another negotiated price can have real value for consumers.

I. The value of negotiated prices in the current prescription-drug market

Prescription drug pricing in the United States is notoriously difficult for consumers to navigate. A single drug may have many prices, including a manufacturer's list price, a pharmacy benefit manager-negotiated price, a pharmacy cash price, and an acquisition cost that is dramatically lower than any of those figures. These are not merely technical distinctions. They can mean that the price presented to a

consumer at the pharmacy counter bears little relationship to what the drug actually costs to acquire.¹

There is, at the same time, a growing movement toward a simpler and more rational reimbursement model: one in which pharmacies are reimbursed based on the cost of acquiring the drug, plus a reasonable margin and professional fee. That model is often described as “cost plus.”² ArrayRx is not a cost-plus program, because its pharmacy reimbursement methodology is not based on a pharmacy’s acquisition costs. However, ArrayRx’s consumer prices are often much closer to acquisition costs than the prices consumers may encounter through insurance or traditional cash pricing.

I offered an example of this phenomenon in House Health Care, and I summarize it again here because it illustrates the problem vividly. I take a generic medication for a chronic condition. Under my high-deductible health plan, I would pay approximately \$1,800 for that medication. Yet available acquisition-cost data indicates that pharmacies can obtain that same drug for roughly \$50.³ Through ArrayRx, the price for that medication appears to range from approximately \$73 to \$110, depending on the pharmacy. That is not perfect pricing, but it is far closer to the drug’s acquisition cost than the price presented through my insurance. In practical terms, that can mean the difference between an unaffordable prescription and one that a Vermonter can fill.

My own experience is only one example, but it is consistent with broader evidence. As discussed in my oral testimony, the Green Mountain Care Board’s prescription drug affordability report submitted to the General Assembly in January provides strong evidence that Vermonters are frequently paying far more than necessary for generic drugs. The Board found that Vermonters could save \$23.6 million through cost-plus reimbursement for generic drugs, representing a 64.9 percent reduction in prices.⁴ The accompanying data visualization makes

¹ See generally, Three Axis Advisors, Unravelling the Drug Pricing Blame Game: Analyzing the Factors Influencing Prescription Drug Costs as U.S. Retail Pharmacies (Sept. 2023), available at <https://www.3axisadvisors.com/projects/2023/9/19/unravelling-the-drug-pricing-blame-game>.

² Cohen, Joshua P., Mark Cuban’s Cost Plus Drugs Sparks Others to Change How Rx Meds are Priced, Forbes (Jan 2, 2024), <https://www.forbes.com/sites/joshuacohen/2024/01/02/mark-cubans-cost-plus-drug-company-sparks-moves-to-change-how-rx-drugs-are-priced/>.

³ NADAC data is compiled by CMS. The pharmaceutical research firm 46Brooklyn makes NADAC data easily accessible to the public through their NADAC Drug Pricing Dashboard, <https://www.46brooklyn.com/nadac>.

⁴ Green Mountain Care Board, Act 134 of 2024 Final Report: Prescription Drug Affordability in Vermont at 10–13, available at <https://legislature.vermont.gov/assets/Legislative-Reports/Act-134-Final-Report-on-Prescription-Drug-Affordability-in-Vermontrevised.pdf>.

plain, drug by drug, the extent to which current prices can exceed reasonable acquisition-cost-based pricing.⁵ Again, because ArrayRx offers consumer pricing similar to cost-plus pricing, the relevance of the Board's findings is clear: there is substantial room to reduce what Vermonters pay for prescription drugs, particularly generic drugs, and ArrayRx offers a practical mechanism for moving in that direction now.

For uninsured Vermonters, that benefit is straightforward. H.577 would provide access to a more affordable set of prices than many consumers currently face in the retail market. For insured Vermonters, the value is slightly different but still substantial. Many insured consumers, especially those enrolled in high-deductible plans, may discover that the ArrayRx price is lower than the price available through their insurance. H.577 would therefore create an additional affordability tool: consumers would be able to compare prices and choose the better option.

For these reasons, the HCA supports the bill.

II. The importance of the House's counting fix

The HCA also strongly supports the improvement made by the House clarifying that, when an insured Vermonter uses a discount card to purchase a covered prescription drug at a lower price, that spending must still count toward the person's deductible and annual out-of-pocket maximum. That language should remain in the bill.

Without that clarification, many Vermonters would face an unfair choice. They could use their insurance, potentially pay much more at the pharmacy counter, but receive credit toward their deductible and out-of-pocket maximum. Or they could use the discount card, pay less immediately, but receive no credit toward those same limits. For many consumers, especially those with chronic prescription needs, that uncertainty would undermine the usefulness of the discount card and discourage its use even when it offers the better price.

The House addressed that problem in a practical way. Rather than waiting for a perfect technological solution, it established the counting principle in statute and

⁵ GMCB & Onpoint Health Data, [Pharmacy Analysis](https://public.tableau.com/app/profile/onpointhealthdata/viz/VTGMCBPharmacyAnalysis/CPD) (last published Feb. 6, 2026), <https://public.tableau.com/app/profile/onpointhealthdata/viz/VTGMCBPharmacyAnalysis/CPD> (see Slide 12: What are the potential savings of a Cost Plus Drugs Model by drug name?)

required insurers to make available a form and a process through which consumers can submit eligible discount-card spending for crediting.

The HCA recognizes that this is not a seamless solution. Requiring consumers to submit information manually may create barriers for some Vermonters. Ideally, crediting would occur automatically at the pharmacy counter. But current claims-processing systems do not appear to support that result today. In our view, the House language appropriately reflects present operational realities while still moving the law in the right direction. It ensures that the principle is established now, while leaving open the possibility of a more automated and consumer-friendly mechanism in the future.

This also means that implementation and consumer education will matter. Consumers will need clear information about how to use the program in a way that preserves their ability to receive credit toward deductibles and out-of-pocket maximums. They will need to understand, for example, that the prescription must be a covered drug and that any applicable utilization-management requirements under their plan still matter. The HCA can help Vermonters navigate those issues, but the underlying statutory direction should remain clear: eligible discount-card spending must count.

III. Pharmacy reimbursement

Finally, I want to briefly acknowledge concerns raised by the Vermont Pharmacists Association. Their testimony submitted in the House raised legitimate questions about the broader pharmacy reimbursement environment, including ArrayRx's pharmacy reimbursement methodology and the possibility of low-margin or even negative-margin transactions.⁶ Those concerns should be taken seriously. Financially viable independent pharmacies are also a consumer benefit, especially in rural communities, and pharmacies must receive adequate reimbursement for the services they provide.

At the same time, H.577 is a consumer-affordability bill. Its purpose is to give Vermonters access to lower prescription prices now. In the HCA's view, the bill does not create the underlying reimbursement distortions that pharmacists have described, even if it may operate within that broader landscape. On balance, we

⁶ Vermont Pharmacists Association, [Memo to the House Ways & Means Committee regarding H.577](https://legislature.vermont.gov/Documents/2026/Workgroups/House%20Ways%20and%20Means/Bills/H.577/W~Lauren%20Bode~Vermont%20Pharmacists%20Association~2-12-2026.pdf) (Feb. 12, 2026), <https://legislature.vermont.gov/Documents/2026/Workgroups/House%20Ways%20and%20Means/Bills/H.577/W~Lauren%20Bode~Vermont%20Pharmacists%20Association~2-12-2026.pdf>.

believe the likely benefit to consumers outweighs the potential risk identified in the record.

If the Committee believes an additional safeguard is warranted, however, the HCA would support narrowly tailored language directing the State Treasurer to monitor the impact of Vermont's participation in ArrayRx on pharmacy viability and to withdraw from the program if substantial losses are demonstrated. We do not view such language as necessary to support the bill, but we would support it if the Committee concludes that it would provide appropriate reassurance while preserving the bill's core consumer-affordability purpose.

IV. Conclusion

In sum, H.577, as passed by the House, is a step toward greater prescription drug affordability in Vermont. It would expand access to lower-cost prescription drug pricing, provide a valuable option for both uninsured and insured Vermonters, and preserve the important principle that eligible discount-card spending on covered drugs should still count toward deductibles and annual out-of-pocket maximums.

For those reasons, the HCA supports H.577 as passed by the House and urges the Committee to preserve the House language on counting.

Thank you for your consideration of this testimony.

Sincerely,

/s/ Charles Becker

Staff Attorney

Office of the Health Care Advocate