

1 S.146

2 Introduced by Senators Pearson and Ayer

3 Referred to Committee on

4 Date:

5 Subject: Health; prescription drugs; Medicaid

6 Statement of purpose of bill as introduced: This bill proposes to prohibit State  
7 entities, including Medicaid and the State employees' health plan, from paying  
8 more for a prescription drug than the lowest price paid for the same drug by the  
9 U.S. Department of Veterans Affairs.

10 An act relating to prescription drug pricing standards for State purchasers

11 It is hereby enacted by the General Assembly of the State of Vermont:

12 Sec. 1. FINDINGS

13 The General Assembly finds:

14 (1) Prescription drugs have been, and continue to be, one of the greatest  
15 drivers of rising health care costs in Vermont.

16 (2) Prescription drug spending is increasing faster than any other  
17 category of health care expenditures.

18 (3) The cost of prescription drugs remains unaffordable for a large  
19 number of Vermonters.

1           (4) Spending on specialty drugs, such as those used to treat HIV/AIDS,  
2           Hepatitis C, and many cancers, is rising faster than spending on other types of  
3           medications.

4           (5) The pharmaceutical industry's practice of charging inflated drug  
5           prices has resulted in pharmaceutical company profits exceeding those of even  
6           the oil and investment banking industries.

7           (6) Inflated drug pricing has led to drug companies lavishing excessive  
8           pay on their executives.

9           (7) Although Vermont has engaged in efforts to reduce prescription drug  
10          costs through rebates and other means, drug manufacturers are still able to  
11          charge the State more than it charges other government payers for the same  
12          medications, resulting in a dramatic imbalance that must be rectified.

13          (8) If Vermont were able to pay the same prices for prescription drugs as  
14          the amounts paid by the U.S. Department of Veterans Affairs, it would result  
15          in significant savings to Vermont and its taxpayers.

16          Sec. 2. INTENT

17          By enacting this act, it is the intent of the General Assembly:

18               (1) to enable the State of Vermont to pay the same prices for  
19               prescription drugs as the prices paid by the U.S. Department of Veterans  
20               Affairs, thus rectifying an imbalance among government payers; and

1           (2) to facilitate significant cost savings to Vermont and its taxpayers for  
2           prescription drugs, thus helping to stem the tide of rising health care costs in  
3           this State.

4           Sec. 3. 18 V.S.A. chapter 91, subchapter 4 is added to read:

5           Subchapter 4. Prescription Drug Pricing Standards for State Purchasers

6           § 4651. DRUG PRICING STANDARDS

7           (a) Notwithstanding any provision of law to the contrary, and to the extent  
8           permitted under federal law and waivers from federal law, the State of  
9           Vermont, its agencies and departments, including the Agency of  
10           Administration and the Department of Vermont Health Access, and any other  
11           subdivision or instrumentality of the State shall not enter into any agreement  
12           with a pharmaceutical manufacturer, as defined in section 4631a of this title,  
13           for the purchase of a prescription drug unless the net cost of the drug, inclusive  
14           of cash discounts, free goods, volume discounts, rebates, and any other  
15           discounts and credits as determined by the Department of Vermont Health  
16           Access is the same as or less than the lowest price paid for the same drug by  
17           the U.S. Department of Veterans Affairs.

18           (b) The price ceiling described in subsection (a) of this section shall also  
19           apply to all programs for which the State of Vermont, its agencies or  
20           departments, or any other subdivision or instrumentality of the State is the  
21           ultimate payer for the drug, even if it did not purchase the drug directly. This

1 includes the State's Medicaid program, VPharm, Healthy Vermonters, the  
2 Vermont Medication Assistance Program, and the State employees' health  
3 plan. In addition to agreements for any cash discounts, free goods, volume  
4 discounts, rebates, or any other discounts or credits already in place for these  
5 programs, the responsible State agency, department, subdivision, or  
6 instrumentality shall enter into additional agreements with pharmaceutical  
7 manufacturers for further price reductions so that the net cost of the drug, as  
8 determined by the Department of Vermont Health Access, is the same as or  
9 less than the lowest price paid for the same drug by the U.S. Department of  
10 Veterans Affairs.

11 (c) The Agencies of Administration and of Human Services and any other  
12 agency, department, subdivision, or instrumentality of the State affected by the  
13 provisions of this section may adopt rules pursuant to 3 V.S.A. chapter 25 to  
14 carry out the purposes of this section and shall seek any waivers of federal law  
15 or regulation needed to implement the provisions of this section.

16 Sec. 4. EFFECTIVE DATE

17 This act shall take effect on passage and shall apply to all contracts entered  
18 into on or after July 1, 2017.