Opportunities for Vermont Pharmaceutical Distribution

An Alternative Model

Jeffrey Hochberg
President Vermont Retail Druggists,

Christian Herrington
Corporate Vice President, Pharmacy Strategies H. D. Smith VentureRx,

Theo Kennedy, J.D., M.P.H.
Public Policy Attorney and General Practitioner
Otis & Kennedy, LLC
Over the last 40 years little has changed to the Drug Supply Chain. It follows the typical pathway of nearly all commercial products. Each entities role can be easily understood and thus can be held accountable to consumer protection regulations. But if this is so straightforward... why does pharmacy cost continue to elude oversight?
Current Pharmacy Revenue Path

- Overly complicated
- Lacking any sense of Transparency
- At least 6 “proprietary” inflation steps:
  1. Manufacturer sells product to Wholesaler (WAC – Wholesale acquisition price or list price);
  2. Wholesaler sells to Pharmacies (Invoice price);
  3. Pharmacy sells to Patients via PBM (Retail Price);
  4. PBM charges Insurer (Payer Drug Spend);
  5. Insurer charges Patient (Premium);
  6. Insurer reports to regulatory body (Price Per Member).
- Complete disassociation from true costs
Streamlined Approach

- Eliminates nearly all inflationary steps for the State Payer effectively equating “Payer Drug Spend” (#4) to “Wholesaler Acquisition Cost” (#1)
- Positions State to best adapt to industry disruptions and opportunities
- Reduces cash flow liability of State Payer
- Increases negotiating power of partnered Wholesaler with addition of “government authority”
- Enhances pharmacy’s ability to contribute toward “Triple Aim”
- Encourages Local Economic Growth and Stability
- Lowers overall pharmacy cost of constituents
- TRANSPARENCY

* Pharmacy payment is reduced and limited to dispensing fee
** Payment for product is made directly to State-Wholesaler Cooperative at reduced price
Immediate Savings

An estimation of savings by equating “Payer Drug Spend” to “Wholesaler Acquisition Cost”

Generic/Brand = 80/20 volume and 15/85 of spend $$$
Generic spend = 15% of $188M = $28.2M in generic drug spend
35% savings on ($28.2M) = $9.9M savings on Generics
(*still eligible for manufacturer rebate)

Brand spend = 85% of $188M = $159.8M in brand drug spend
1% savings on $159.8M = $1.6M savings on traditional brand spend
(*still eligible for manufacturer rebate)

Total estimated savings = $9.9M + $1.6M = $11.5M in drug spend savings
Integration with other opportunities

✓ Importation
✓ 340B
✓ Medicaid Supplemental Rebates and participation in GPO
✓ ***Traditional Payment Structures with Pharmacies would be UNINTERRUPTED***

BCBCSVT and Express
Medicare D Populations
Data and its Power

Manufacturers want two things:

1. Market presence – “Formulary Status”;
2. Utilization data – NCPDP data.

For nearly 40 years NCPDP has set the standard to which all pharmacy electronic claims and claim vendors adhere to and is inclusive of all data points from patient demographics to drug product information.

http://www.ncpdp.org
Switch Companies and Data Miners

The Switch facilitates the claim adjudication process between the Pharmacy and the PBM. Each transaction carries a cost ranging from $0.03 to $0.15 per transmission. *For a similar price this data can be purchased by Data Miners (*with contractual consent).
IMS – now IQVIA

• Largest data miner in the country
• Extracts pharmacy claims data from Switch and markets analytics back to Manufacturers for efficacy and utilization reporting
• IQVIA Holdings has a reported revenue earnings of nearly $8 Billion

• PBMs also use the data they possess in their databanks for similar purposes
• Most pharmacies relinquish their control of this data when signing contracts with software vendors, switch companies, and PBMs
Opportunity

• Partner with a Switch company much in the same manner as Drug Wholesaler
• Expand the functionality of VPMS and remove dependence from Pharmacy “uploads”
• Use VITL to incorporate prescribing information into the EMR
• Use data to enhance negotiations with Drug Manufacturers
• Data can be analyzed to provide “missing” information from Insurer and PBM reports
• Data will also serve to evaluate the efficiency of the proposed Wholesaler Cooperative
Walgreens Has Made Takeover Approach to AmerisourceBergen

Drugstore giant in early-stage talks to buy portion of Amerisource it doesn’t already own

By Michael Siconolfi, Dana Mattioli and Joseph Walker
Updated Feb. 12, 2018 7:50 p.m. ET

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by Julia Horowitz and Danielle Wiener-Bronner

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