State of Vermont
Green Mountain Care Board
144 State Street
Montpelier, VT 05620

Act 193 of 2018
IMPACT OF PRESCRIPTION DRUG COSTS ON HEALTH INSURANCE PREMUMS

In accordance with 18 V.S.A. § 4636

Prepared by the
Green Mountain Care Board
2024 Report

Introduction

Act 193 of 2018, an act relating to prescription drug price transparency and cost containment, requires the Green Mountain Care Board (GMCB) to report annually on the overall impact of drug costs on health insurance premiums in Vermont.

The reporting requirement set forth in Act 193 of 2018 applies to major medical health insurers with more than 1,000 covered lives in Vermont. The Green Mountain Care Board reviews rate filings in Vermont's fully-insured major medical market. From this population of regulated health insurers, MVP Health Care (MVP), Blue Cross and Blue Shield of Vermont (BCBSVT), and Cigna Health Insurance (Cigna) were identified as subject to the Act 193 reporting requirement.

MVP, BCBSVT and Cigna were asked to submit information for all premiums reviewed in 2023, and assess the overall impact on premiums for all covered prescription drugs in the following three categories:

a. 25 most frequently prescribed drugs and the average wholesale price for each drug;
b. 25 most costly drugs by total plan spending and the average wholesale price for each drug;
c. 25 drugs with the highest year-over-year price increases and the average wholesale price for each drug; and
d. A breakdown of the total cost of pharmacy on overall premiums and the overall pharmacy trend for all filings under review.

This report summarizes the results from the collected data and includes additional materials to provide context for the information. The additional materials include:

1. Attachment One: Pharmaceutical Supply Chain Diagram
2. Attachment Two: Components of Commercial Insurance Premiums
3. Attachment Three: Act 193 of 2018 and Copy of the Data Request Form

Summary of Results

Table One summarizes the impact of prescription drugs on premiums by:

- **Member Month:** the per-member per-month (PMPM) amount an individual consumer pays for prescription drugs as part of their monthly premium.
- **% Change:** the change in PMPM compared to the previous year.
- **% of Premium:** the percentage of monthly premium attributable to prescription drugs.

Table One: Prescription Drug Impact on Premium

Carrier	PMPM	% Change	% of Premium
BCBSVT	$171.91	NA*	24.30%
MVP	$137.38	15.69%	17.10%
Cigna	$124.24	-8.04%	21.31%

*BCBSVT could not accurately compare PMPM from year-to-year due to a recent change in how they measure prescriptions in outpatient settings.

The three prescription drugs with the greatest impact on premiums are Humira Pen, Humira (CF) Pen, and Stelara - all specialty drugs.

Table Two: Prescription Drugs with Greatest Impact on Premiums		
Product/NDC #	**Therapeutic Class**	**% of Premium**
Humira Pen / 00074055402	Chronic inflammatory disease: used to treat arthritis, plaque psoriasis, ankylosing spondylitis, Crohn's disease, and ulcerative colitis	2.47%
Stelara / 57894006103	Chronic inflammatory disease: used to treat plaque psoriasis, psoriatic arthritis, or Chrohn's disease.	1.32%
Enbriel Sureclick / 58406003204	Autoimmune diseases: used to treat rheumatoid arthritis, psoriatic arthritis, ankylosing spondylitis, and plaque psoriasis.	0.67%

As a component of commercial insurance premiums, prescription drugs are generally broken down into three categories:

- **Generic:** drugs that are the same as an existing approved brand name drug in dosage, intended use, safety, strength, route of administration, and quality. Generic drugs generally cost less than their brand-name counterparts because they do not have to repeat studies and testing required of the brand-name drugs to demonstrate their safety and effectiveness. According to the U.S. Food and Drug Administration (FDA), 9 out of 10 prescriptions filled in this country are for generic drugs.
- **Brand:** drugs developed and patented by a drug manufacturer and which, with FDA approval for safety and effectiveness, are sold under a proprietary, trademark-protected name. When the patent expires, the drug may be made available as a generic drug.
- **Specialty:** high-cost complex drugs and biologics typically used to treat chronic, serious, or life-threatening conditions such as cancer, rheumatoid arthritis, growth hormone deficiency, and multiple sclerosis. These drugs may require special handling or require unique storage, be difficult to administrate, and require additional patient education, support, and monitoring.

Tables Three and Four summarize the impact of generic, brand and specialty drugs on premiums. Table Three displays the impact on premium on a PMPM basis, and Table Four displays the impact as a percentage of premium.

Table Three: Drug Category $ PMPM			
	Generic	**Brand**	**Specialty**
BCBSVT	$10.30	$52.65	$108.96
MVP	$11.30	$41.44	$84.63
Cigna	$57.19	$24.94	$42.10

Table Four: Drug Category % of Premium			
	Generic	**Brand**	**Specialty**
BCBSVT	1.50%	7.44%	15.40%
MVP	1.41%	5.16%	10.53%
Cigna	9.81%	4.28%	7.22%

Methodology

Analysis Population

Major medical health insurers with more than 1,000 covered lives in Vermont are subject to the reporting requirement set forth in Act 193 of 2018. Under Vermont law, the Green Mountain Care Board reviews rate requests in the State's fully-insured major medical health insurance market per 18 V.S.A. § 9375(b)(6); 8 V.S.A. § 4062(a).

Based on information contained in the rate filings of MVP, BCBSVT and Cigna, the filings below were subject to this reporting requirement in 2023.

- Blue Cross and Blue Shield of Vermont – Large Group: BCVT-133551255
- Blue Cross and Blue Shield of Vermont – Small Group: BCVT-133654592
- Blue Cross and Blue Shield of Vermont – Individual: BCVT-133654578
- MVP Health Plan, Inc. – Large Group HMO: MVPH-133767802
- MVP Health Plan, Inc. – Small Group Filing: MVPH-133660956
- MVP Health Plan, Inc. – Individual Filing: MVPH-133660955
- Cigna Health and Life Insurance Company – Large Group Filing: CCGP-133388045

Price Reporting

18 V.S.A. § 4636 requires carriers to submit the "average wholesale price" (AWP) of the required drug categories. To ensure that carriers submitted data in a standard format, the following price reporting requirements were applied:

Average Wholesale Price

The AWP is the average price of a drug purchased at the wholesale level.[1] The price of a drug my change several times during a year. Carriers subscribe to commercial databases for access to the most current AWPs of drugs.[2] In order to synchronize the timeframe for the insurance rate filings under review with the timeframe for the prescription drugs under review, carriers were instructed to select AWPs as of January 1, 2023.

Rebates and Discounts

Rebates are a significant factor in the price consumers pay for prescription drugs. A drug manufacturer will typically pay rebates to a pharmacy benefit manager (PBM), which shares a portion of the rebate with the health insurer. The health insurer can then factor rebate savings into its pharmacy claim experience when establishing future premiums. Manufacturers most often pay rebates on high-cost, brand name prescription drugs in competitive classes where there are interchangeable and competing products, aiming to incentivize the PBM to include the manufacturer's product on its formulary. Rebate contract terms are confidential, making actual price comparisons difficult. AWP does not consider rebates or their impact on actual prices paid by the consumer. Since rebates are not considered the percent of premium will be inflated.

[1] The use of the average wholesale price (AWP) was intended protect confidential, competitive pricing information while allowing third-party payers, including government programs, to obtain access. However, AWP has been criticized as manipulatable and easily inflated relative to actual market prices for prescription drugs.

[2] BCBSVT, MVP and Cigna use Medi-Span, considered to be the leading provider of drug information for the health care industry, to establish AWP.

National Drug Code

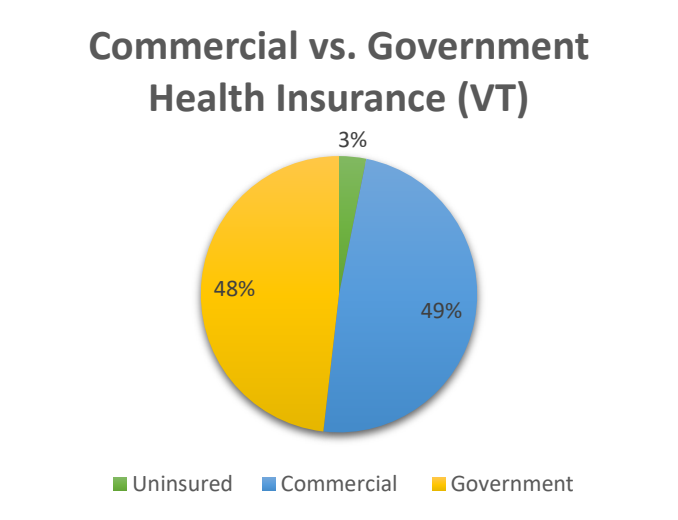
Any individual drug is available in different doses and package options. For example, Lisinopril is a generic drug used to treat high blood pressure and is available as a tablet or oral liquid, in different dosages and by different drug manufacturers. To ensure accurate analysis of equivalent drugs and avoid submissions based on different dose and package options, carriers were required to submit drug information based on the medication's National Drug Code (NDC). NDCs are universal identifiers composed of a unique ten-digit, three-segment number for drugs in the United States. The three segments of the NDC identify the labeler, the product, and the commercial package size.

Health Insurance Coverage in Vermont

Vermonters receive health insurance coverage in a variety of ways, for example, through their employer, as an individual, or through the government. This report assesses the commercial, fully-insured population whose rate filings are reviewed by the Green Mountain Care Board, and which constitutes approximately 14% of Vermont's total population.[3]

Table Five: Health Insurance Coverage Profile 2020		
Category	# of Vermonters	% of Total Vermont Population
Commercial: Individual, Small and Large Group (Report Population)	84,830	13.9%
Commercial: Self-Insured	200,766	32.8%
Commercial: VT residents covered by insurers outside of VT	11,812	1.9%
Government: Medicaid/Medicare	294,642	48.2%
Uninsured	19,400	3.2%
Total Vermont Population	**611,450**	**100.0%**

Approximately 49% of Vermonters receive their coverage from commercial health insurance, compared with 48% from public health insurance. The Office of the Vermont Attorney General annually reports drug cost information on the public health insurance population, including a comparison of private and public drug payment methods, in the Pharmaceutical Cost Transparency Report required under 18 V.S.A. § 4635.



[3] Expenditure Analysis 2020, Green Mountain Care Board.

ATTACHMENTS

Attachment 1

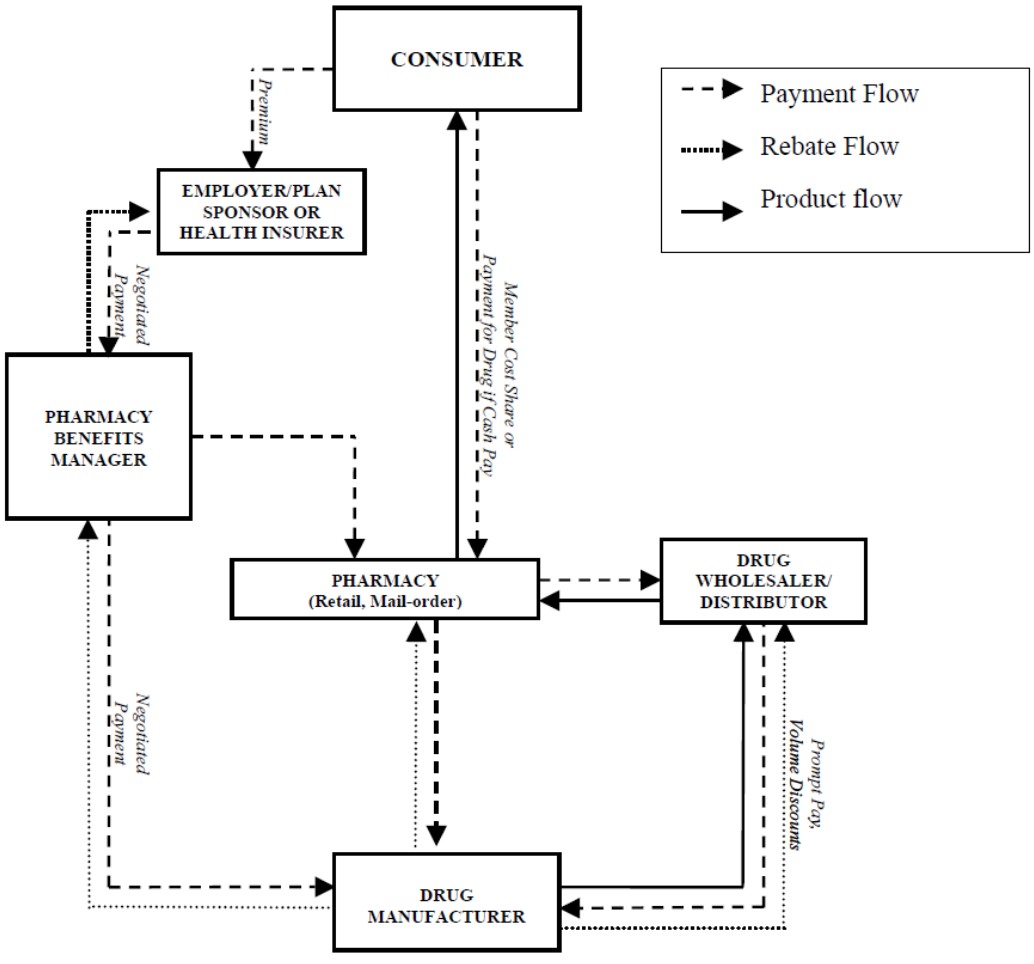
Pharmaceutical Supply Chain: Flow of Prescription Drugs and Money

Carriers subject to the reporting requirement were asked to provide a brief description of the following:

Explain the flow of prescription drugs and money from the manufacturer to your company's customers. In this explanation, please include:

1. *The role of each industry segment involved in the supply chain process (manufacturer, wholesaler distributor, pharmacies, pharmacy benefit managers, etc).*
2. *The flow of funds between each industry segment, including stages at which discounts and rebates are negotiated.*
3. *How does your company determine AWP? For example, does your company subscribe to a commercial drug information price database, and if so, please provide the name of that company.*

Below is diagram of a typical pharmaceutical supply chain[4] and the answers to these questions from each carrier.



[4] The Kaiser Family Foundation: Follow the Pill: Understanding the U.S. Commercial Pharmaceutical Supply Chain

BCBSVT Responses

Question: Explain the flow of prescription drugs and money from the manufacturer to your company's customers. In this explanation, please include:

1. ***The role of each industry segment involved in the supply chain process (manufacturer, wholesaler distributor, pharmacies, pharmacy benefit managers, etc.).***

Answer: Manufacturers develop and make the drugs. Then they sell them to the wholesalers who sell them to the pharmacies. The pharmacy dispenses the drugs to patients and submit the claims to the pharmacy benefit managers. The pharmacy benefit managers process the claim on behalf of the pharmacy, patient and health plan and send a bill for the claims to the health plan.

2. ***The flow of funds between each industry segment, including stages at which discounts and rebates are negotiated.***

Answer: For this question, please see the diagram which shows the cash flows [page 11]. Our discounts and rebate guarantees are in our contract with the pharmacy benefit manager which is taken out to bid every three years.

3. ***How does your company determine AWP? For example, does your company subscribe to a commercial drug information price database, and if so, please provide the name of that company.***

Answer: BCBSVT does not determine AWP. Average Wholesale Price is determined by the manufacturer and published by Medispan which is a division of Wolters Kluwer. Everyone in the industry then subscribes to Medispan to receive their drug pricing file on a periodic basis.

MVP Responses

Question: Explain the flow of prescription drugs and money from the manufacturer to your company's customers. In this explanation, please include:

1. ***The role of each industry segment involved in the supply chain process (manufacturer, wholesaler distributor, pharmacies, pharmacy benefit managers, etc.).***

Answer: CVS Caremark is the PBM for MVP Health Care. CVS Caremark contracts directly with network pharmacies. Twice a month, CVS Caremark bills MVP for claims adjudicated through network pharmacies. Rates between the PBM and the Health Plan are negotiated upon contract renewal.

2. The flow of funds between each industry segment, including stages at which discounts and rebates are negotiated.

Answer: CVS Caremark, when contracting with drug manufacturers, conducts a comprehensive assessment of multiple factors including the pipeline, overall category and price trends, and evolving evidence based care standards in addition to monitoring the competitive landscape when making decisions related to contract negotiations. MVP's independent P&T committee reviews and approves drug coverage, tiering, and clinical utilization management policies associated with the MVP formularies.

CVS Caremark contracts with drug manufacturers for pharmaceutical rebates, which are shared with MVP Health Care. CVS Caremark remits to MVP earned rebates quarterly upon collections. Rates and rebates between the PBM and the Health Plan are negotiated upon contract renewal.

3. How does your company determine AWP? For example, does your company subscribe to a commercial drug information price database, and if so, please provide the name of that company.

Answer: The CVS Caremark source of Average Wholesale Price (AWP) data is Medi-Span. We load AWP updates to the system on a daily basis.

Cigna Responses

Question: Explain the flow of prescription drugs and money from the manufacturer to your company's customers. In this explanation, please include:

1. ***The role of each industry segment involved in the supply chain process (manufacturer, wholesaler distributor, pharmacies, pharmacy benefit managers, etc.).***

Answer: Please see Rebate Cross Functional Interactions chart and Invoicing Setup - Claim Flow chart.

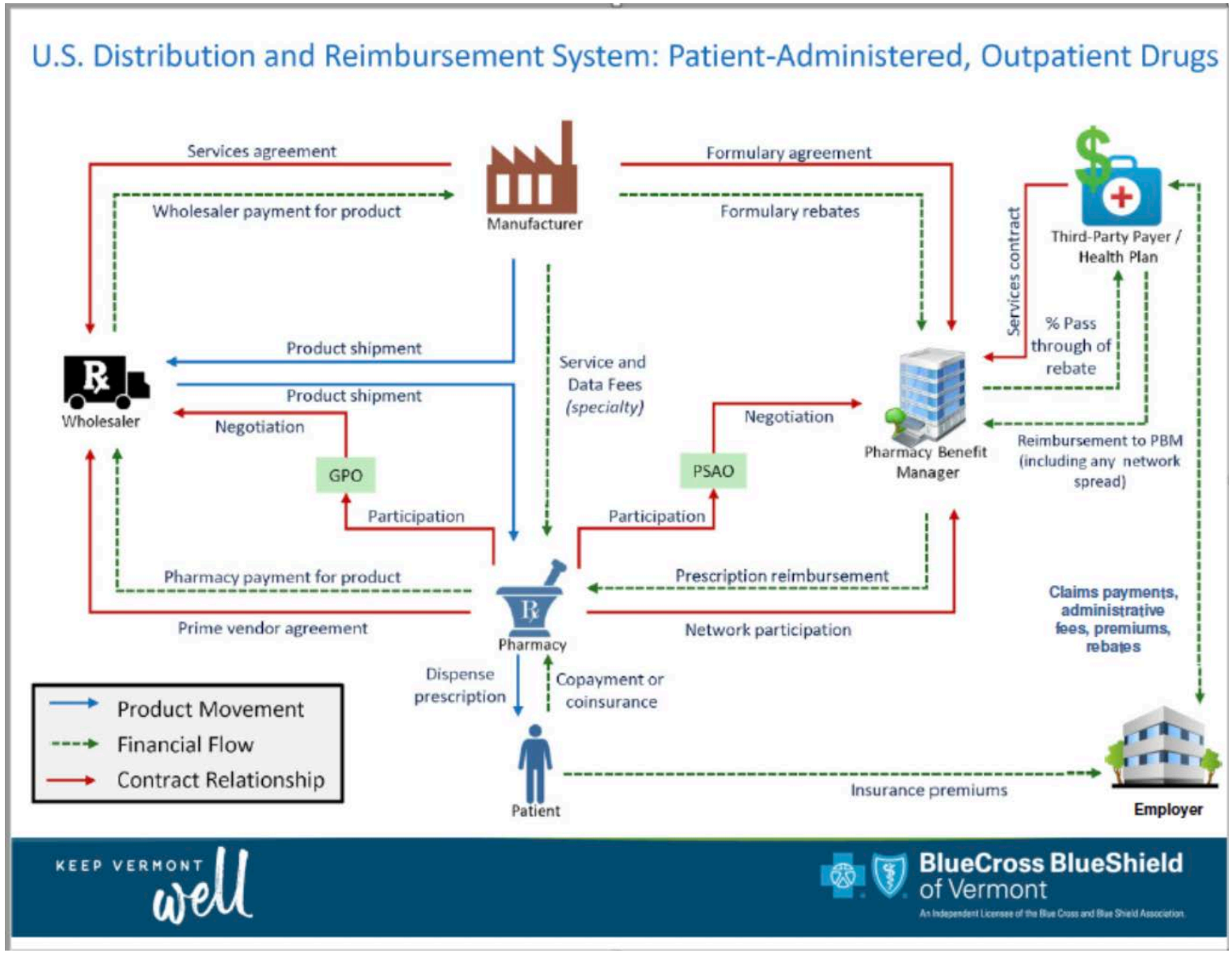
2. ***The flow of funds between each industry segment, including stages at which discounts and rebates are negotiated.***

Answer: Please see Rebate Cross Functional Interactions chart and Invoicing Setup - Claim Flow chart.

3. How does your company determine AWP? For example, does your company subscribe to a commercial drug information price database, and if so, please provide the name of that company.

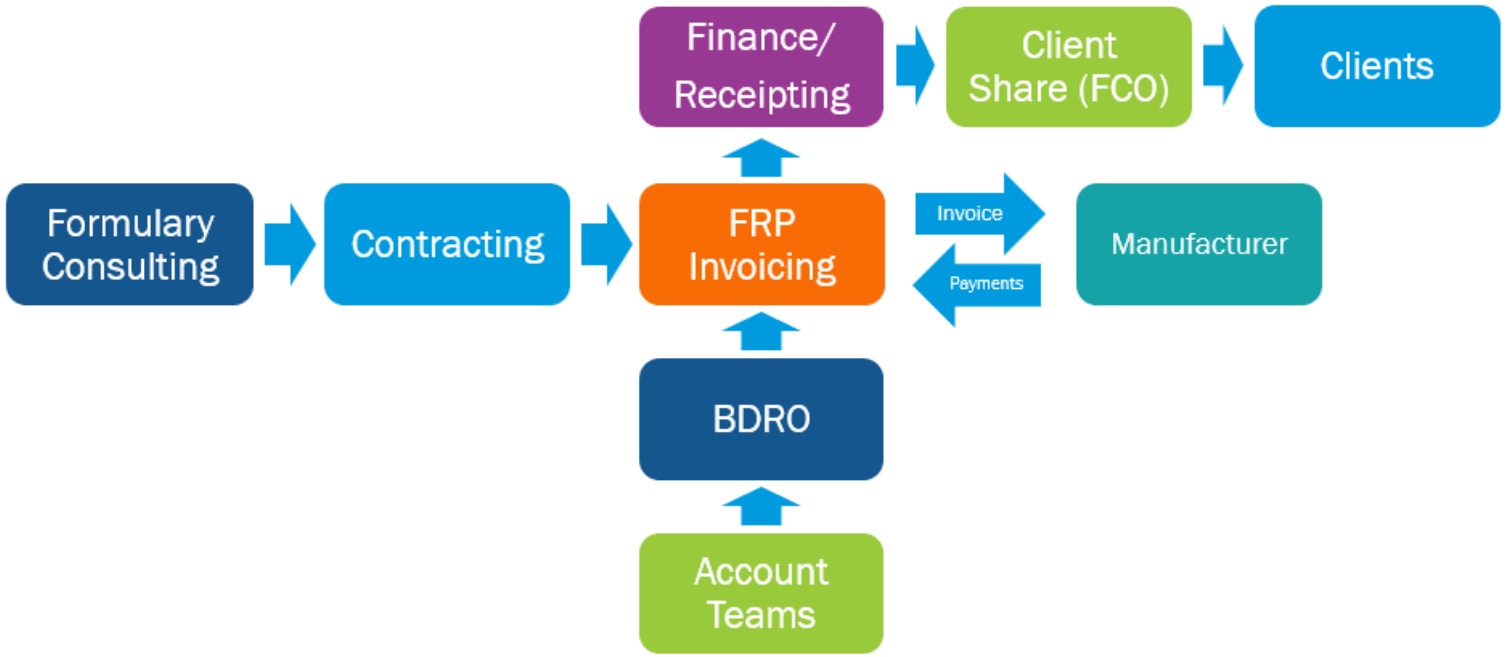
Answer: CHLIC does not determine AWP. AWP, or average wholesale price, is a benchmark price point that is defined and distributed by a third party, currently Medi-Span (Wolters Kluwer), and that is widely used throughout the healthcare industry.

BCBSVT Pharmacy Industry Cash Flow Diagram



Cigna Flow of Prescription Drugs

Rebate Cross Functional Interactions



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Invoicing Setup – Claim Flow

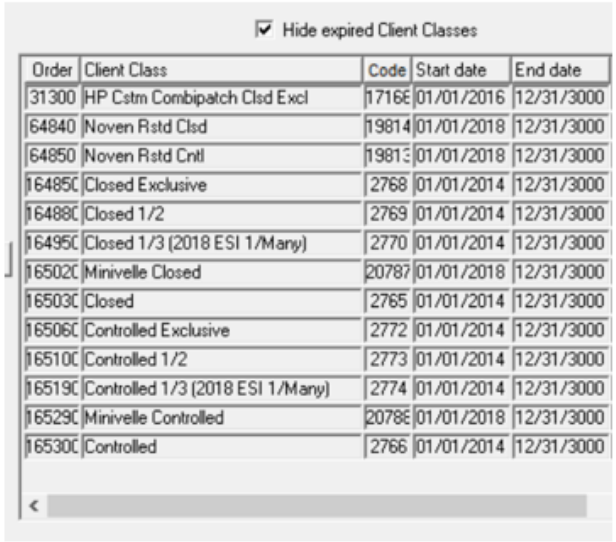
Claims

Universal Exclusions
Contract Specific Exclusions

Form Status Y or N

Form Status Y
Client SCOs
Managed Medicaid
PST
Restricted
Criteria Based
Options
Bundle / Port Options
Canned

Form Status N
NF Restricted
NF Access
Form Status Exclusion



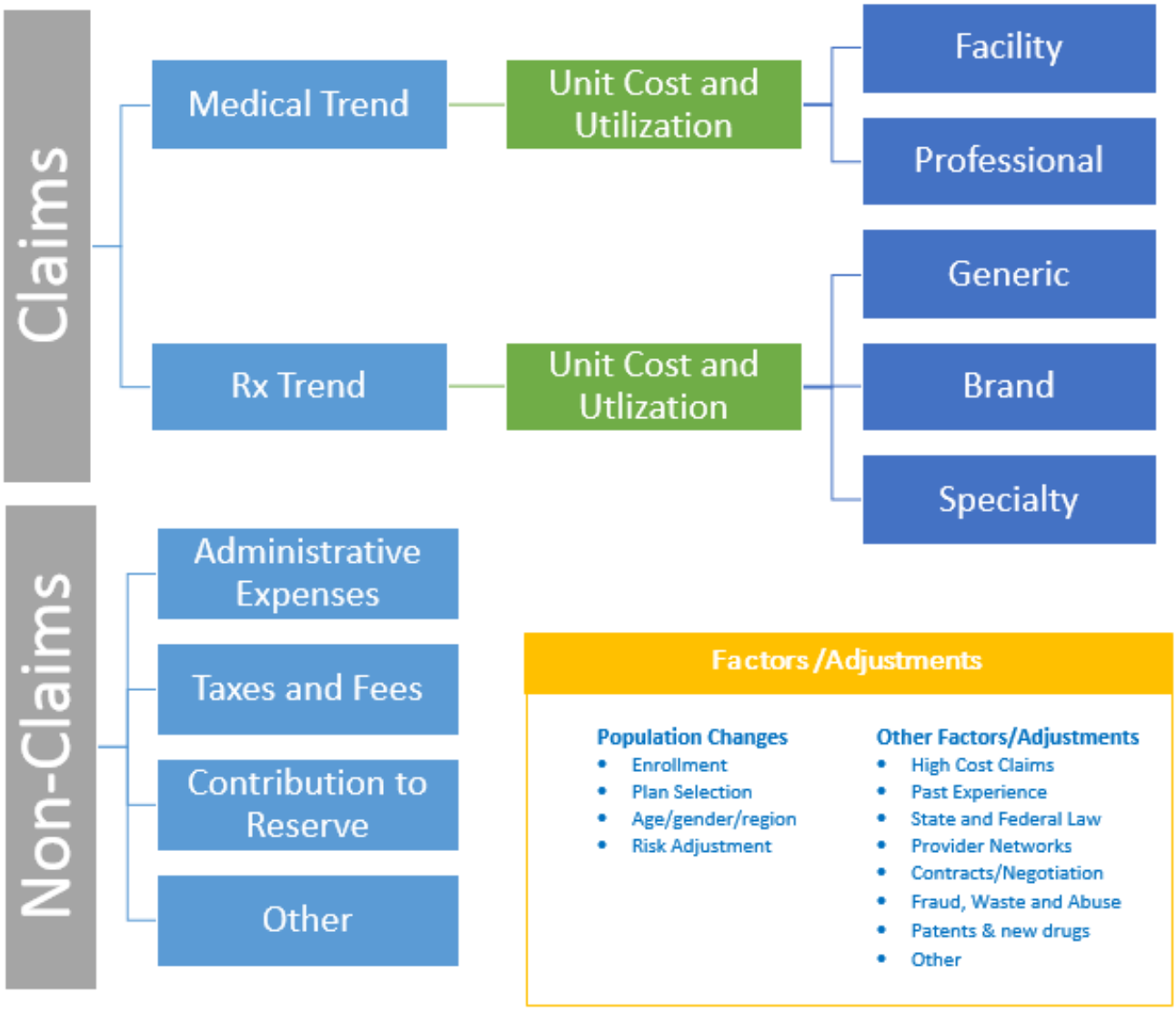
☑ Hide expired Client Classes

Order	Client Class	Code	Start date	End date
31300	HP Cstm Combipatch Clsd Excl	1716E	01/01/2016	12/31/3000
64840	Noven Rstd Clsd	19814	01/01/2018	12/31/3000
64850	Noven Rstd Cntl	1981[illegible]	01/01/2018	12/31/3000
16485C	Closed Exclusive	2768	01/01/2014	12/31/3000
16488C	Closed 1/2	2769	01/01/2014	12/31/3000
16495C	Closed 1/3 (2018 ESI 1/Many)	2770	01/01/2014	12/31/3000
16502C	Minivelle Closed	20787	01/01/2018	12/31/3000
16503C	Closed	2765	01/01/2014	12/31/3000
16506C	Controlled Exclusive	2772	01/01/2014	12/31/3000
16510C	Controlled 1/2	2773	01/01/2014	12/31/3000
16519C	Controlled 1/3 (2018 ESI 1/Many)	2774	01/01/2014	12/31/3000
16529C	Minivelle Controlled	20788	01/01/2018	12/31/3000
16530C	Controlled	2766	01/01/2014	12/31/3000

Attachment 2

Components of Commercial Insurance Premiums

The following diagram shows the basic components of commercial insurance premiums. Approximately 85-92% of premium costs are a result of claims costs. The remainder is attributable to non-claims costs such as administrative expenses, taxes and fees, and contribution to reserves. Prescription drugs are accounted for in the Rx Trend section of the Claims component.



Attachment 3
Act 193 of 2018

Sec. 8. 18 V.S.A. § 4636 is added to read: § 4636. IMPACT OF PRESCRIPTION DRUG COSTS ON HEALTH INSURANCE PREMIUMS; REPORT

(a)(1) Each health insurer with more than 1,000 covered lives in this State for major medical health insurance shall report to the Green Mountain Care Board, for all covered prescription drugs, including generic drugs, brand-name drugs, and specialty drugs provided in an outpatient setting or sold in a retail setting:

(A) the 25 most frequently prescribed drugs and the average wholesale price for each drug;

(B) the 25 most costly drugs by total plan spending and the average wholesale price for each drug; and

(C) the 25 drugs with the highest year-over-year price increases and the average wholesale price for each drug.

(2) A health insurer shall not be required to provide to the Green Mountain Care Board the actual price paid, net of rebates, for any prescription drug.

(b) The Green Mountain Care Board shall compile the information reported pursuant to subsection (a) of this section into a consumer-friendly report that demonstrates the overall impact of drug costs on health insurance premiums. The data in the report shall be aggregated and shall not reveal information as specific to a particular health benefit plan.

(c) The Board shall publish the report required pursuant to subsection (b) of this section on its website on or before January 1 of each year.

Copy of Request Data Form

Green Mountain Care Board
Impact of Prescription Drug Costs on Health Insurance
Premiums Request for Data

Pursuant to 18 V.S.A. § 4636, please provide the following information and data:

1. Explain the flow of prescription drugs and money form the manufacture to your company's customers. In this explanation, please include:
   a. The role of each industry segment involved in the supply chain process (manufacturer, wholesaler distributor, pharmacies, pharmacy benefit managers, etc.).
   b. The flow of funds between each industry segment, including stages at which discounts and rebates are negotiated.
   c. How does your company determine AWP? For example, does your company subscribe to a commercial drug information price database, and if so, please provide the name of that company.

2. Using the attached spreadsheet, demonstrate the overall impact on premiums for all covered prescription drugs in the 4 categories listed below. All covered prescription drugs include generic drugs, brand-name drugs, and specialty drugs provided in an outpatient setting or sold in a retail setting. The requested information is limited to rates reviewed by the Green Mountain Care Board (fully-insured individual, small group and large group):
   a. 25 most frequently prescribed drugs and the average wholesale price for each drug;
   b. 25 highest priced drugs by total plan spending and the average wholesale price for each drug;
   c. 25 drugs with the highest year-over-year price increases and the average wholesale price for each drug; and
   d. A breakdown of the total cost of pharmacy on overall premiums and the overall pharmacy trend for all filings under review.

Instructions
   a. Review is limited to filings reviewed by the Green Mountain Care Board: fully-insured individual, small group and large group plans. Please calculate requested data based on the sum of subject filings.
   b. The average wholesale price should be reporting according to its cost on January 1, 2023.
   c. Indicate the National Drug Code for each product.
   d. Submit to the Green Mountain Care Board no later than December 8, 2023 to Noah Montemarano (noah.montemarano@vermont.gov).