

## Special 301 Oral Testimony Outline

- I. Introduction - self
  - a. Robin Lunge Legislative Counsel
  - b. Nonpartisan Legal & Policy Staff on health & human services, including Commission
  
- II. Commission on International Trade
  - a. 2005 – created by state law (Act 212)
  - b. 8 members – bipartisan
    - i. 2 legislators
    - ii. 1 AAG
    - iii. Secretary of the commerce
    - iv. 5 appointed by the Governor
      - 1. labor
      - 2. environmental interests
      - 3. 2 business – IBM, small exporter
  - c. Statutory charge
    - i. Seek the promotion of trade
      - 1. vital to Vermont’s economy & economic development
    - ii. while maintaining the state’s ability determine its own policies
      - 1. within the balance created by the 10<sup>th</sup> amendment
  
- III. Why is a state commission interested in international pharmaceutical policy?
  - a. Vermont was an early leader in health care reform
    - i. 3 legged stool – Access, Quality, Cost-containment
  - b. Access
    - i. 1970s
    - ii. Near universal coverage of children – 97% covered
      - 1. Medicaid-expansion program which our former Governor Howard Dean promoted – Dr. Dynasaur
      - 2. coverage for children in families who make up to around \$50k
    - iii. 93% coverage of adults
      - 1. Medicaid-expansion programs
    - iv. Long history of ensuring access to pharmaceuticals
      - 1. state only Rx programs
      - 2. Part D – worse than our state program
        - a. through a wrap around program covers cost-sharing for Vermonters
  - c. Recognized the importance of pharmaceuticals in treating health care conditions
    - i. Blueprint for Health – prevention & management of chronic disease – in part through Rx

- d. Because of high degree of coverage through state programs, cost containment has been in key in all aspects of health care, but specifically Rx

#### IV. Rx Cost-Containment

- a. Last full fiscal year for which data available - Negative spending trend in Vt's Medicaid program
  - i. Medicaid is federal health care program for low income seniors, children, and indiv w/ disabilities - administered by the states and supported with federal & state funds; governed by federal law & regulation, including rules about how a state may use a preferred drug list
  - ii. State have used Medicaid waivers to implement state level hc reform
- b. Achieved through
  - i. use of a preferred-drug list and negotiations for supplemental rebates from pharmaceutical manufacturers
  - ii. Emphasis on generic drugs - where cost effective and clinically appropriate
  - iii. Best evidence in clinical decision-making – academic detailing or prescriber education program
- c. PDL
  - i. Evidence-based preferred drug list
    - 1. clinical efficacy and cost
    - 2. Includes generics
    - 3. Used to negotiate supplemental rebates with drug manufacturers
  - ii. Bulk purchasing with other state Medicaid programs to increase buying power
  - iii. Very similar to formularies and PDL strategies used by other countries at a national level to reduce drug prices
  - iv. Current a bill pending that has received a legislative hearing to expand the Medicaid PDL statewide and require all health insurers db in Vt to use the same list to further increase market share
- d. Drug Importation
  - i. I-Save Rx – website for consumers to purchase drugs from other countries at lower costs. Vermont joined the initiative in 2005
  - ii. City of Burlington Vt as an employer
    - 1. importation program of its employees
  - iii. now Senator Sanders (mayor of Burlington) drove a bus load of seniors to canada
  - iv. Increasing drug prices in other countries also impacts directly on Vermont's citizens who are purchasing in Canada or other countries

#### V. Reciprocity of trade agreements

- a. Concern that weakening of innovative strategies used to reduce drug prices internationally could have a future impact on states using these techniques in Medicaid or other federally funded hc programs
- b. Direct cost to taxpayers
- c. Report is not clear what aspects of a countries reimbursement policy makes it unreasonable or unfair
  - i. PhRMA has previously sued in state of Vermont (and Maine) for our aggressive implementation of the PDLs and supplemental rebates in federal court (and lost)
- d. If you were applying the same criteria to state Medicaid programs that you have applied internationally, would Vermont be on the watch list?