

Department of Vermont Health Access

Presentation to the Joint Fiscal Committee:

Pharmacy Rebate Experience – Comparisons
of Other States

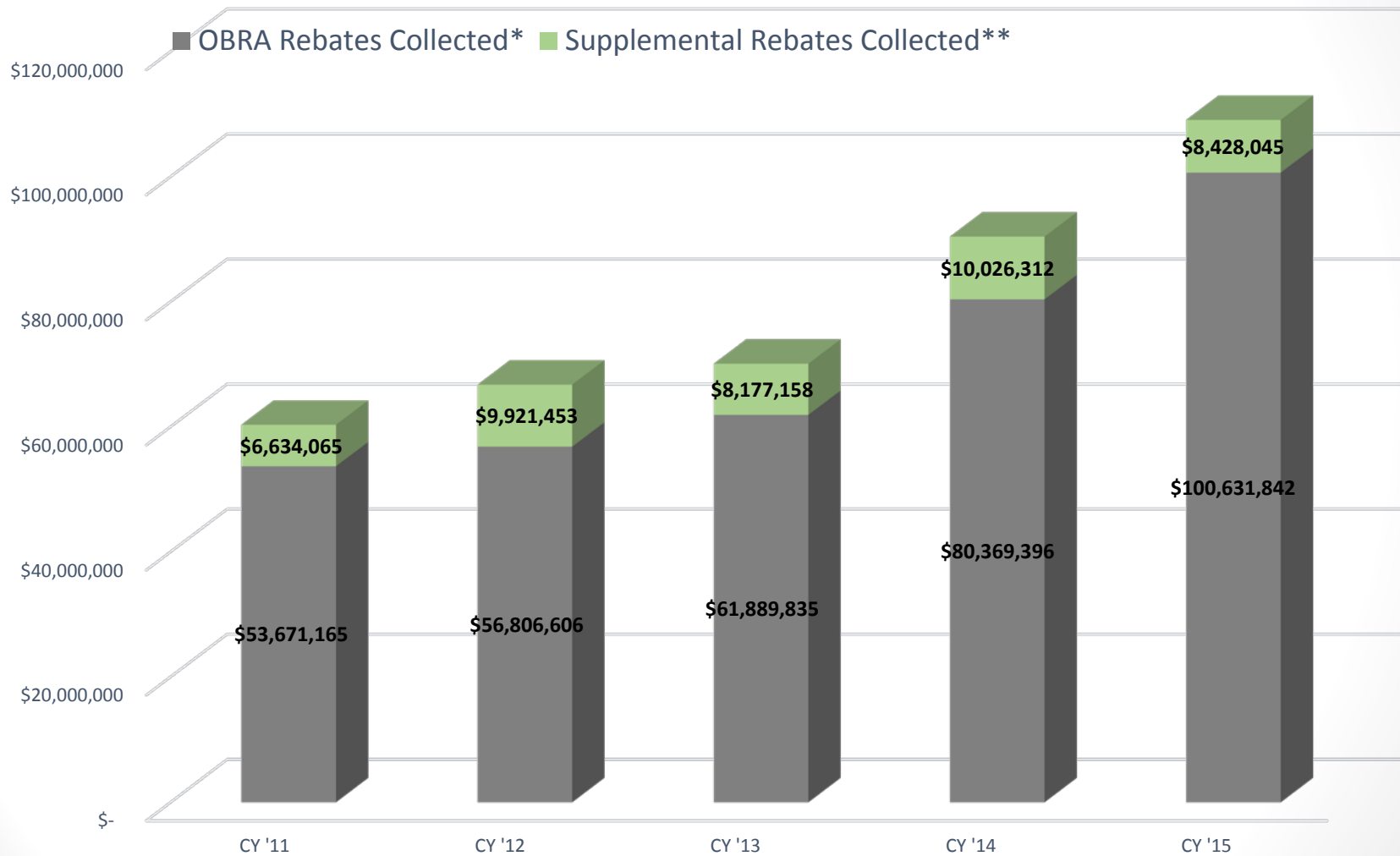
September 15, 2016

Description of Rebates

There are three different types of rebates collected by Vermont:

- **Omnibus Reconciliation Act of 1990 (OBRA 90s)** ~ The Federal Government establishes set rebate percentages nationwide for the myriad classes of drugs.
- **Affordable Care Act (ACA)** ~ Upon passage of the ACA, the Federal Government increased the OBRA percentages, though 100% of these rebate collections revert back to the federal government.
- **Supplemental** ~ States have the authority to further negotiate with manufacturers for additional rebates. In 2003, Vermont formed a Sovereign States Drug Consortium (SSDC) with two other states in order to obtain greater negotiating power. As of this SFY, there are 10 states in this consortium.

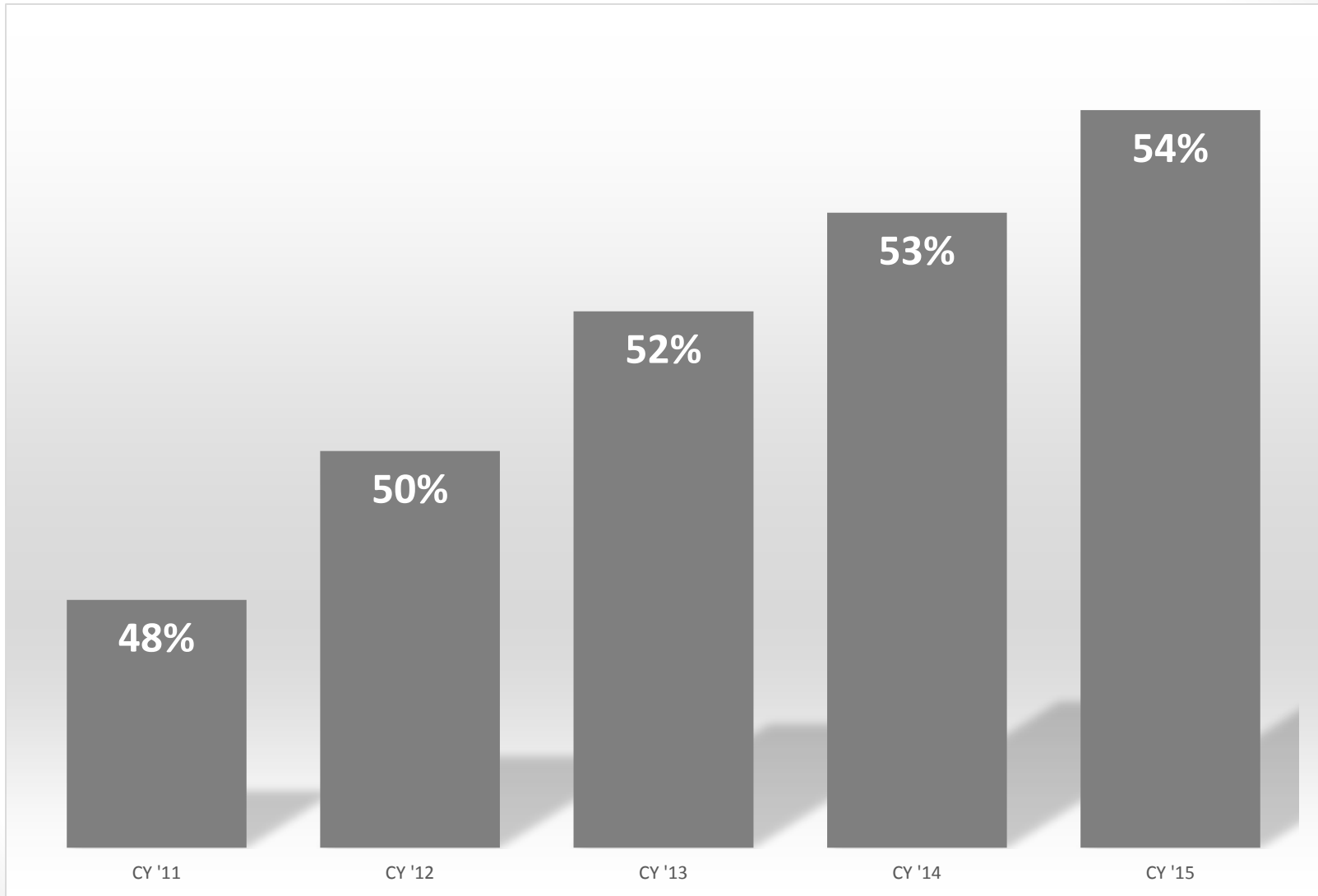
Rebate Collection Experience



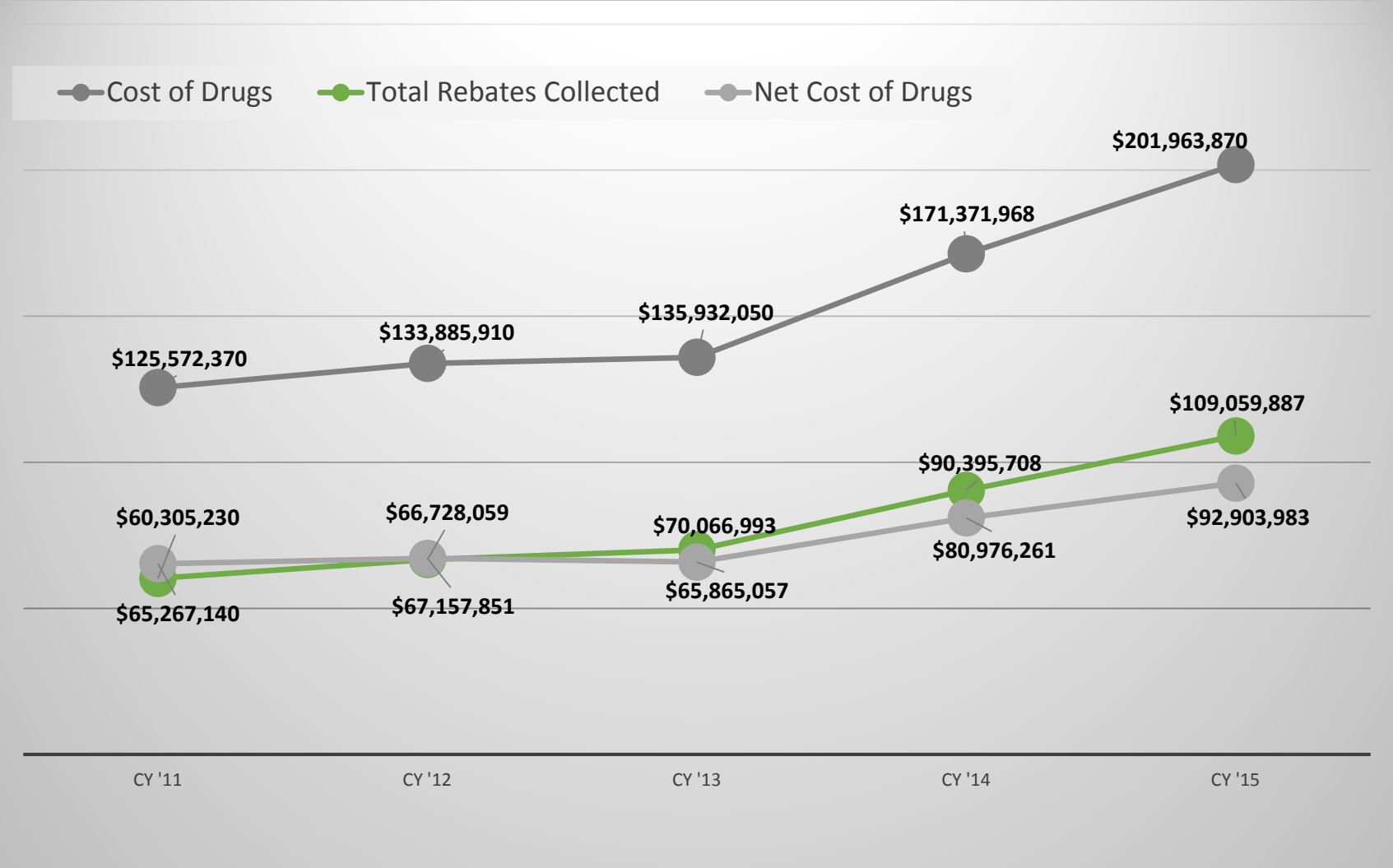
*OBRA rebates include the enhanced ACA rate, Jcodes, SPAP, and DME

**Supplemental rebates based upon SFY actuals as quarterly data not available

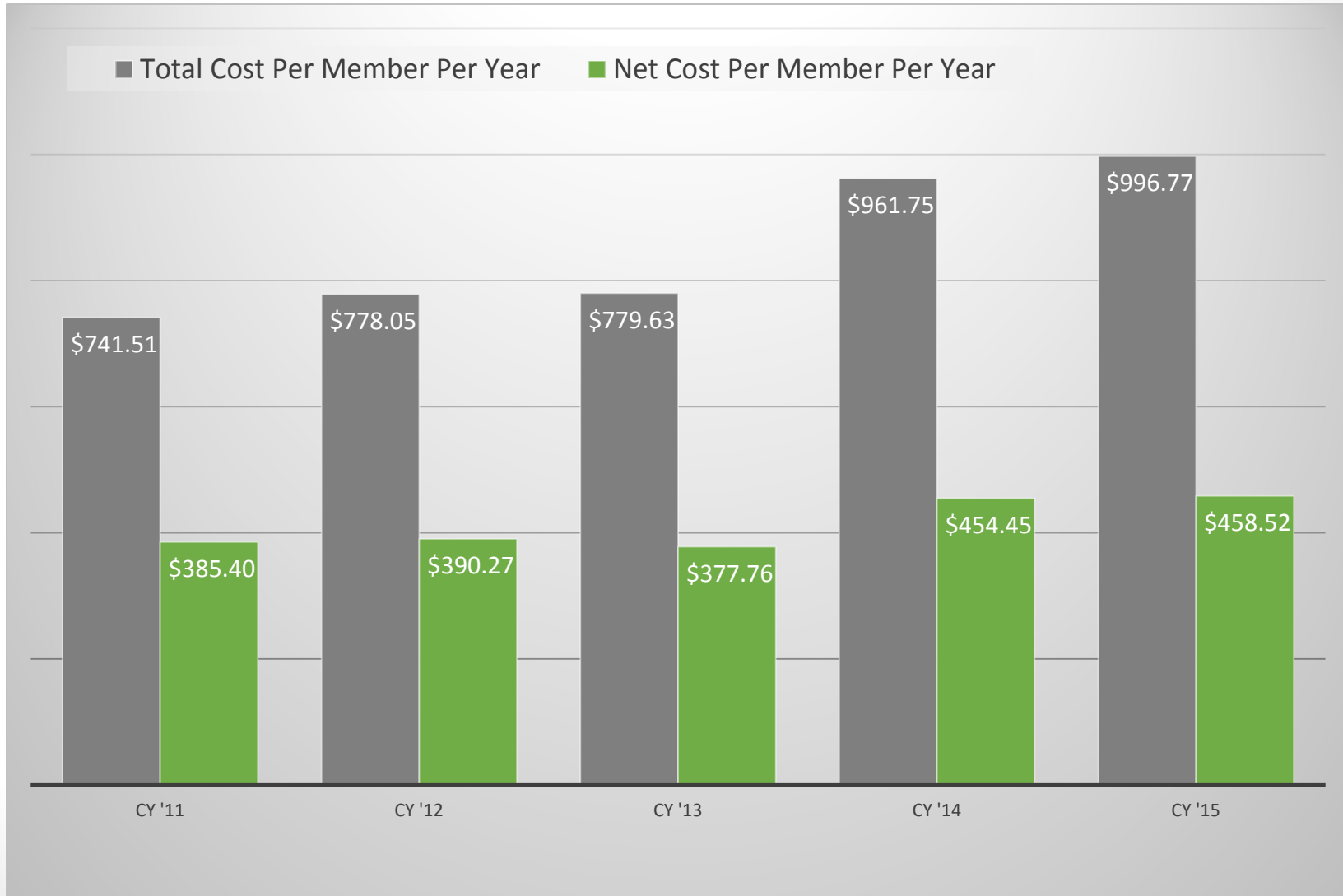
Percent of Rebates to Cost of Drugs



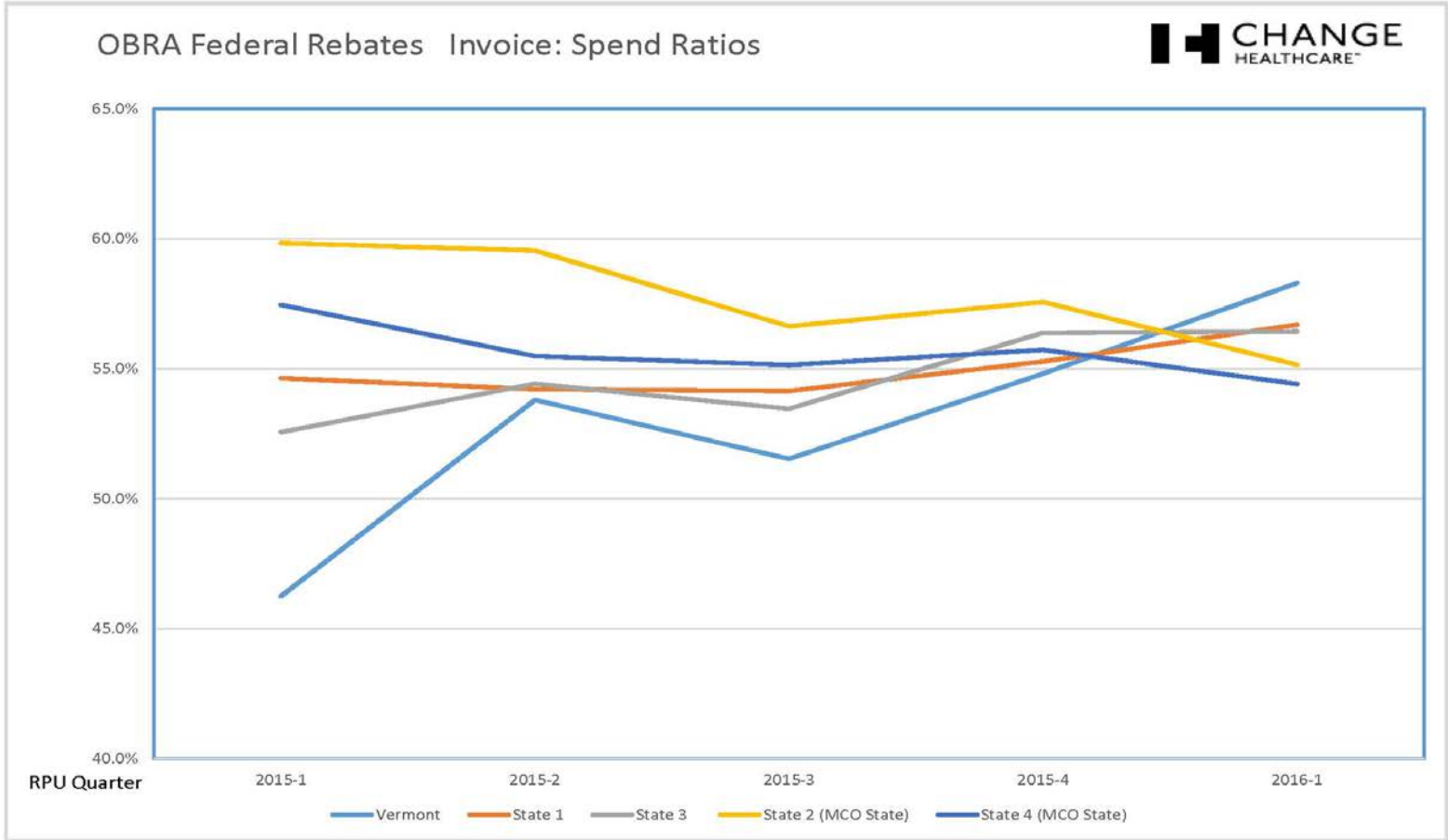
Pharmacy Costs ~ Gross and Net



Per-Member Per Year Costs



State by State Comparison



Factors Influencing Rebates

- Better management of PDL to maximize lowest net cost
- Modern rebate system-efficiencies in invoicing and collections
 - National Drug Code (NDC) level information which allows labelers to verify units
 - Claims are scrubbed up front to remove ineligible claims
- ACA-increased rebate % (15.1-23.1% B, 11.1%-13.1% G) but feds get 100% of increase
- Formula for Average Manufacture Price (AMP) recalculated
 - AMPs go up due to fewer discounts included in rate determination, rebates go up
 - Manufacturers are re-stating AMP (repricing drugs) which is reducing AMP
 - Manufacturers have until 4/1/17 to recalculate baseline AMPs using the new rule. They can do so on a product by product basis and appear to be repricing when it works to their benefit.

Future Rebate Trends

- Once all of the recalculated baseline AMPs are submitted and the inflation penalties adjusted, things should stabilize. Overall, rebates will be higher.
- For products with high Consumer Price Indexes (CPIs), especially those that have had recent spikes in their Unit Rebate Amounts (URAs), expect to see those URAs go back down to where they were before they spiked.
- New CPI factor applies to generics in 1Q2017
- Increase spend in new specialty drugs moderates rebate