



Testimony on HB 4012: White Bagging Ban

February 6, 2024

Chair Nosse and Members of the Committee,

My name is David Robertson, and I am the Vice President of Clinical Pharmacy Services at Cambia Health Solutions, which operates Regence Health Plans of Oregon. As the state's largest health insurer, Regence is committed to addressing both persistent and emerging health needs for the nearly one million Oregonians we serve. In keeping with our values as a tax paying nonprofit, 85% of every premium dollar goes to pay our members' medical claims and expenses.

As an insurer, Regence has been at the forefront of ensuring that Oregonians have access to safe, affordable healthcare. White bagging can be a tool for helping contain the rising cost of healthcare. White bagging is the process in which a specialty pharmacy will ship a patient-specific medication to the hospital or clinic for administration. Providers still get paid for administering the medication, but are not able to bill and charge a markup on the drug itself. **White bagging does not require any changes to the medication prescribed or the dose received.** While Regence only uses white bagging as a tool in limited circumstances, our objective is simply to get members access to the same drugs at a lower cost.

Creating state level prohibitions on white bagging will limit the tools that insurers have to promote affordability and will result in higher healthcare costs for Oregonians. We and our members are facing significant affordability challenges due to the high markups charged by providers, which have become increasingly worse as list prices of new drugs have skyrocketed. If the state is serious about healthcare affordability, we ask you to oppose HB 4012 as drafted.

The Cost of Specialty Drugs is Rising; Provider Markups Can Increase that Cost by Orders of Magnitude

Specialty drugs are those that are used to treat complex, chronic or rare conditions, like cancer or multiple sclerosis. These drugs require special management and cost significantly more than most medications. According to a recent study published by the Journal of the American Medical Association, the share of drugs priced at \$150,000 per year or more rose from 9% in 2008 - 2013 to 47% in 2020 - 2021. The study found that drug launch prices

increased from an average \$2,115 per year in 2008 to \$180,000 per year in 2021.¹ From 2008 to 2021, launch prices for new drugs increased by 20% each year. **Cancer drugs have among the highest launch prices, with the annual price of a newly-launched cancer drug in the United States averaging \$283,000 in 2022, a 53% increase from 2017.**² Furthermore, a recent Reuters report found that the median price for newly approved treatments in 2022 was \$222,003, up from \$180,000 through the first half of 2021. Unfortunately, this trend towards more costly medications is expected to continue. When hospitals and clinics purchase these costly drugs directly and administer them to patients, they generally include a significant markup on the cost of those drugs, which are wholly unrelated to the cost to purchase and administer them.

While proponents claim that the bill is limited to clinical settings, the bill expressly includes clinics affiliated with hospitals and hospital infusion centers, which bill at hospital rates. From 2019-2021, the cost of a single drug treatment from a hospital costs an average of \$8200 more than if the same therapy was purchased through a specialty pharmacy.³ A study by the health research firm, The Moran Company, reveals that some providers markup drugs 4 times the acquisition cost. A recently published article from the New England Journal of Medicine reveals markups at hospitals eligible for 340B discounts are the highest within the industry and are 6.5 times higher than independent practices⁴.

Regence's own data underscores these national trends. Within Regence, hospitals average markup is 222%, while clinics average a 140% markup over the Average Sales Price (ASP). The average markup across Regence is 170% of the ASP. These trends result in higher costs for patients, and higher premium costs for all Oregonians.

With the cost of drugs rising at the unsustainable rates mentioned above, this level of markup is causing financial hardships for Oregonians. According to a survey performed in April 2021 by the Altarum Health Care Hub, of the 900 Oregonians surveyed, 61% had experienced healthcare affordability burdens in the past year, with 77% worried about healthcare affordability in the future. These concerns are of paramount importance to Regence.

Specialty Pharmacies Prioritize Patient Safety and Lower Healthcare Costs

Specialty pharmacies prioritize patient safety. They require pharmacists with extensive clinical expertise and education to safely dispense, store and handle specialty drugs. Specialty

¹ [Trends in Prescription Drug Launch Prices, 2008-2021 | Health Care Economics, Insurance, Payment | JAMA | JAMA Network](#)

² [New U.S. cancer drug prices rise 53% in five years -report | Reuters](#)

³ [202304-AHIP_1P_Specialty_Pharmacy_report_update-v02.pdf](#)

⁴ [Hospital Prices for Physician-Administered Drugs for Patients with Private Insurance | NEJM](#)

pharmacies adhere to strict guidelines that require sophisticated storage conditions, specialized dispensing, and are designed to provide a comprehensive and coordinated model of care for patients with chronic illnesses and complex medical conditions.⁵ In addition, specialty pharmacies can quickly ship out new medications if there is a change in treatment or dose.

By leveraging specialty pharmacies to provide medications, there is significantly less markup on the drug, which may result in thousands of dollars of savings for members, employers, and health plans every time a specialty medication is dispensed. Using this method ensures more competitive rates are paid for the drug without sacrificing clinical value or effectiveness.

Regence is aware of and sensitive to concerns around delays in patient care that can result from white bagging. Importantly, Regence has protections in place to ensure that there are not delays in care from using specialty pharmacies, which can help avoid any complications from white bagging in the oncology space. Medications sourced from a contracted specialty pharmacy can be shipped within one day to providers. Oncology drugs are frequently compounded on site, so a provider would receive full unused vials delivered by a specialty pharmacy and compound them on site, as they do today. In the case where medications need to be compounded ahead of time and shipped to the doctor's office, and a patient's condition requires a different dose or drug, we ensure that doctors are able to supplement with their own supply to avoid delays in care, and Regence would reimburse the provider for that medication. We follow the same practice if there are shipping delays. We are open to codifying that practice in statute to address the challenges that can arise due to last minute dose adjustments or shipping delays.

The Cost Savings of White Bagging and Medically Integrated Dispensing Programs Can be Substantial for Patients

Our members' premiums and out-of-pocket costs are based on both the cost that drug manufacturers solely set and the price that hospitals and clinics charge, including the significant upcharges added. As healthcare costs continue to climb, Regence has been working to find ways to improve patient experience while controlling rising healthcare costs. A significant strategy to accomplish this goal ensuring that medications are billed and purchased at an economical rate.

While white bagging is not a tool we frequently use, we have specifically guarded against any patient impacts from white bagging where we use the practice. Regence administers its white bagging program to ensure that if we do have to white bag a drug, patients would not

⁵ [Microsoft Word - NASP Definitions.docx \(naspnet.org\)](#)

be billed at a higher cost share than if that drug was sourced through a provider. At any rate, provider markups generally negate any impacts to patients from a different benefit design in pharmacy benefits than medical benefits, and most chronic and rare disease patients tend to hit their out-of-pocket maximum under their plan, negating any patient impact from plan design. Put simply, white bagging saves patients money, both through direct out of pocket costs and through premium impacts from provider markups.

At Regence, we believe that everyone should be able to afford their prescription drugs. With the cost of prescription drugs continuing to rise, Oregonians expect that their insurers are using every available tool to keep costs down. We urge the legislature to meet the needs of Oregonians to encourage and not place undue restrictions on programs that can improve drug affordability.

Sincerely,

David Robertson

Vice President of Clinical Pharmacy Services

Cambia Health Solutions and Regence Health Plans of Oregon