Regence | 200 SW Market Street, 11th Floor
Portland, OR 97201

Testimony on HB 2011: White Bagging and Site of Care Ban

February 20, 2025

Chair Nosse and Members of the Committee,

My name is Mary Anne Cooper, and I am the Director of Government Affairs at Regence BlueCross BlueShield 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, 89% of every premium dollar pays for our members' medical claims and expenses.

According to a survey performed in April 2021 by the Altarum Health Care Hub, 61% of Oregonians surveyed had experienced health care affordability burdens in the past year with 77% worried about future health care costs. These concerns are paramount to Regence especially as the cost of prescription drugs only continue to surge.

In its current form, HB 2011 would undermine efforts to make prescription drugs more affordable for Oregonians. The skyrocketing prices of new medications, combined with excessive markups charged by providers, have created significant affordability challenges for our members and the broader community. To address the rising cost of health care, we urge you to oppose HB 2011 as drafted and instead work towards solutions that promote cost sustainability and affordable access to prescription medications for all Oregonians.

We recognize that HB 2011 is attempting to modify how insurers contain costs from hospital system markups on provider administered specialty drugs, which are often used to treat complex, chronic, or rare conditions such as cancer or multiple sclerosis. It is important to highlight that these medications require specialized management and generally incur significantly higher costs than most other medications.

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According to the 2024 Oregon Prescription Drug Price Transparency Report, although specialty drugs constitute only 1-2% of the prescriptions issued to our members, they account for 78% of Regence's total drug expenditure.[1]This is driven by the current trend of drug pricing by manufacturers, with the median annual list price of $300,000 for new drugs entering the market just in 2023.[2]

Given the high cost of provider-administered drugs, it is our responsibility to ensure the judicious use of our members' dollars. We achieve this by increasing access to alternative sites of care (such as home infusion or standalone infusion centers) that have a proven history of safely delivering medications at significantly reduced costs. Additionally, we should be able to allow members' medications to be delivered to the administering provider by specialty pharmacies, which helps to avoid additional provider markups.

SITE OF CARE

Drug markups vary based on the site where the drug is administered. Due to these markups, drugs administered in hospital-based outpatient departments have significantly higher prices than drugs administered in a provider's office or at the patient's home.[3] When hospitals and clinics purchase costly drugs and directly administer them to patients, they generally include a significant markup unrelated to the cost to purchase and administer them. As hospitals continue to consolidate into large health systems, they have continuously increased the markups they charge insurers.[4]

The administration of drugs in hospital settings is highly profitable. Recent research shows the absence of competition in markets with highly

[1] The Department of Consumer and Business Services. (2024, November 27). *Prescription Drug Price Transparency Program results and recommendations – 2024*. https://dfr.oregon.gov/drugtransparency/Documents/20241121-dpt-hearing/Prescription-Drug-Price-Transparency-Annual-Report-2024.pdf
[2] Beasley, D.(2023) *Prices for new US drugs rose 35% in 2023, more than the previous year*. https://www.reuters.com/business/healthcare-pharmaceuticals/prices-new-us-drugs-rose-35-2023-more-than-previous-year-2024-02-23/
[3] Pearson, C., Schapiro, L., & Pearson, S. D. (2023). White bagging, brown bagging and site of service policies: best practices in addressing provider markup in the commercial insurance market [White paper]. ICER. https://tinyurl.com/57fsrew2
[4] Robinson, J. C., Whaley, C., & Dhruva, S. S. (2024). Hospital Prices for Physician-Administered Drugs for Patients with Private Insurance. *The New England Journal of Medicine*, *390*(4), 338–345. https://doi.org/10.1056/NEJMsa2306609

consolidated hospital systems has enabled them to wield considerable market power, as evidenced by their substantial share of drug infusions (63%) compared to less integrated systems (33%).[5] The ability to inflate markups so extensively is a strong motivator for integrated system providers to administer drugs in a more profitable setting. This leads to higher health costs for an increasing number of individuals.

Markups charged to insurers from hospital settings are around 200-300% above the base price of the drug.[6] Within Regence, we have seen markups from Oregon hospitals well over 1000%. For many specialty drugs with an annual base cost of $300,000 or more, markups of this size represent hundreds of thousands of dollars per patient.[7]

These markups are even higher if hospitals are eligible for 340B discounts, which is roughly one-third of hospitals.[8] In these cases, hospitals can decrease the amount they pay manufacturers for the drug for 340B discounts, and then increase the amount they charge insurers, further increasing their revenue.[9] Markups at hospitals eligible for 340B discounts are the highest within the industry— 289% higher than those charged by physician practices.[10] These markups highlight the importance of affordability and site-of-care costs, especially in comparison with Medicare, where the markup above the acquisition price is only 6%.[11]

Regence's own data underscores these national trends. In Oregon, for the drug Tecentriq, the provider markup for this drug ranges from 142% to 670% across six different hospitals in the state. This means that if a member has a 20% coinsurance from their health plan, they could pay between $2,826 and $13,671 out of pocket for the same drug based solely on the in-network location they received it.

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[5] Pearson, C., Schapiro, L., & Pearson, S. D. (2023). White bagging, brown bagging and site of service policies: best practices in addressing provider markup in the commercial insurance market [White paper]. ICER. https://tinyurl.com/57fsrew2
[6] Fein A. Drug Channels News Roundup, December 2021: CAR-T Profits, UM Boom, Health Plans vs. Experts, Confused Physicians, and Health Insurance Explained. Published December 20, 2021. Accessed October 14, 2022. https://www.drugchannels.net/2021/12/drug-channels-news-roundup-december.html
[7] Pearson, C., Schapiro, L., & Pearson, S. D. (2023). White bagging, brown bagging and site of service policies: best practices in addressing provider markup in the commercial insurance market [White paper]. ICER. https://tinyurl.com/57fsrew2
[8] Robinson, J. C., Whaley, C., & Dhruva, S. S. (2024). Hospital Prices for Physician-Administered Drugs for Patients with Private Insurance. *The New England Journal of Medicine*, *390*(4), 338–345. https://doi.org/10.1056/NEJMsa2306609
[9] Ibid.
[10] Ibid.
[11] Ibid.

To combat this trend, Regence implemented an Infusion Drug Site of Care program to mitigate provider markups. In the past five years alone, this program saved over $38.4 million for our members. The goal of the the program is to redirect members from expensive hospital outpatient sites to high value, lower cost infusion sites that maintain the same safety and effectiveness. We have had such programs in place without issue for over a decade, proving that site-of-care programs allow members access to high quality, safe and effective treatments at a fraction of the cost of the same care in hospital settings.

As written, HB 2011 would ban site-of-care programs that seek to direct members to high quality, more affordable care options outside of hospital settings, such as home infusion and standalone infusion centers. These sites offer a more comfortable setting for drug administration while significantly reducing the cost borne by the patient through their cost share and to the entire plan. HB 2011 would eliminate the ability of insurers to direct members to more affordable sites of care, while reinforcing hospitals' ability to continue to charge exorbitant markups.

WHITE BAGGING

With prices rising from both manufacturer prices and high hospital markups, there are few tools insurers can use to mitigate costs. White bagging is a tool that some insurers use to help contain the rising costs of health care. It is the process by which a specialty pharmacy will ship a patient-specific medication to the hospital or clinic for administration. Providers will still get paid for their administration, but they are unable to charge a markup on the drug itself. The process of white bagging does not alter the medication, nor the dosage prescribed.

Specialty pharmacies prioritize patient safety and require pharmacists with extensive clinical expertise and education to safely dispense, store, and handle the specialty medications. They adhere to strict guidelines that require sophisticated storing conditions, specialized dispensing, and are designed to provide a comprehensive and coordinated model of care for

patients with chronic illnesses and complex medical conditions.[12] Additionally, specialty pharmacies can quickly ship new medications if there is a change in treatment or dosage.

Regence is aware and sensitive to the 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. Medications sourced from a contracted specialty pharmacy can be shipped within one day to providers. 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 can supplement with their own supply to avoid delays in care, and Regence would reimburse the provider for that medication. We follow that same practice if there are shipping delays and are open to codifying that practice in statute to address the challenges that can arise due to last-minute dose adjustments or shipping delays.

Because of the high costs of specialty medications, health plans will vary on whether these drugs are part of the medical or pharmacy benefit. While there may be some differences in initial out-of-pocket costs between medical and pharmacy benefits, most patients who need these specialized medications will reach their annual out-of-pocket maximum regardless. This means their total yearly costs remain the same, whether covered under medical or pharmacy benefits. The elimination of provider markups through white bagging provide savings in the form of direct out of pocket costs and in member premiums.

As drug prices increase from both the manufacturer side on list prices and in the hospital setting from provider markups, the increased costs are reflected in costs for members in terms of higher premiums. These increases will adversely impact premiums across the state. Regence remains committed to making health care affordable for all Oregonians and

[12] https://naspnet.org/wp-content/uploads/2017/02/NASP-Defintions-final-2.16.pdf

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hindering our tools to push back on increasing drug markups will further shift cost burdens to our members.

If the state is going to limit the safe and effective tools that payers have to control escalating costs, the state must legislatively limit provider markups on provider administered drugs. This is consistent with other places that state has stepped in with rate caps to ensure both access and affordability and is the most simple and effective solution to avoiding this recurrent fight in front of the legislature.

Sincerely,

Mary Anne Cooper
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Regence BlueCross BlueShield of Oregon