

March 19, 2024

The Honorable Susan R. Donovan, Chair
Of the House Health and Human Services Committee
Rhode Island General Assembly
Providence, RI 02903

RE: AHIP Comments on H-7365, An Act Relating to Insurance – Accident and Sickness Insurance Policies

Dear Chair Donovan and Members of the House Health and Human Services Committee,

America's Health Insurance Plans (AHIP) appreciates the opportunity to respectfully express our opposition to H-7365, legislation that would restrict how health insurance providers use white-bagging, an important tool used to protect Rhode Islanders from the high costs of specialty drugs.

Everyone should be able to get their prescription drugs at a cost they can afford. Hardworking families should not have to choose between affordable medications and their daily living costs. Health insurance providers are fighting for patients, families, and employers for more affordable medications, and this work is particularly critical when it comes to specialty drugs.

Prices of specialty and clinician-administered drugs are high and growing.

Specialty and clinician-administered drugs generally are high-priced medications that treat complex, chronic, or rare conditions and can have special handling and/or administration requirements. Many specialty drugs are administered by a clinician intravenously, intramuscularly, under the skin, or via injection. These specialty drugs are given at a variety of sites of care including hospitals, medical provider offices, infusion centers, and by medical professionals during home visits.

Both the number and the price of these drugs have rapidly increased in recent years and, as a result, specialty drugs are a leading contributor of drug spending growth.

- Specialty drug share of net spending across institutional and retail settings has grown from 27% in 2010 to 53% in 2020.¹
- Average annual gross spending and average total net retail spending on retail specialty drugs more than doubled from \$61.1B in 2010-11 to \$157.3B in 2016-17, respectively, and \$49.6B in 2010-11 to 112.6 B in 2016-17, respectively.²
- Growth in future years will be driven by the number of newly launched drugs, which are expected to occur at higher levels than in past years with an average of 50-55 new medications launching over the next year 5 years.³

¹ <https://www.iqvia.com/insights/the-iqvia-institute/reports/the-use-of-medicines-in-the-us#:~:text=Specialty%20share%20of%20net%20spending,slowed%20due%20to%20patent%20expiries.>

² <https://www.uspharmacist.com/article/net-spending-on-specialty-pharmaceuticals-surgin>

³ <https://www.iqvia.com/insights/the-iqvia-institute/reports/the-use-of-medicines-in-the-us#:~:text=Specialty%20share%20of%20net%20spending,slowed%20due%20to%20patent%20expiries.>

Physician markups on specialty/clinician-administered drugs are excessive.

Patients, families, and employers are exposed to not only the high price of specialty drugs, but they are subjected to physician markups and fees. These physician markups and fees are well documented and significant.

- JAMA Internal Medicine (2021): The median negotiated prices for the 10 drugs studied ranged from 169% to 344% of the Medicare payment limit.⁴
- Bernstein (2021): Hospitals markup prices on more than 2 dozen medications by an average of 250%.⁵
- AllianceBernstein (2019): Markups ranged on average 3-7 times more than Medicare's average sale price.⁶
- The Morgan Company (2018). Hospitals charge patients and their health insurance more than double their acquisition costs for medicine. The markup was between 200-400% on average.⁷

AHIP released two studies (i.e., 2022 [study](#) and 2023 [study](#)) where AHIP researchers analyzed the cost of 10 drugs that are stored and administered in a health care setting, such as a hospital, but could also be safely delivered through a specialty pharmacy for provider administration. The most recent study examined data from 2019-2021 and found:

- Costs per single treatment for drugs administered in hospitals were an average of **\$8,200 more** than those purchased through pharmacies. Drugs administered in physician offices were an average of **\$1,500 higher**.
- Hospitals, on average, **charged over double the prices** for the same drugs, compared to specialty pharmacies.
- Prices were **23% higher in physicians' offices** for the same drugs, on average.

These costs were in addition to what hospitals and physicians are paid to administer the drug to the patient.

Using lower-cost specialty pharmacies saves money for patients and helps to make premiums more affordable.

Health insurance providers have developed many innovative solutions to make prescription drugs more affordable, including leveraging lower-cost pharmacies – called specialty pharmacies – to safely distribute certain drugs (sometimes called either “white bagging” or “brown bagging”).

Specialty pharmacies are different from traditional “brick and mortar” pharmacies because they focus on dispensing drugs that retail pharmacies are not equipped to dispense. “White bagging,” describes the practice whereby a specialty pharmacy ships a patient’s prescription directly to the provider (such as hospital or physician’s office) where it is held until the patient arrives for administration of the medication. So-called “brown” bagging involves the specialty pharmacy shipping the drug directly to the patient, who then brings the medication to the physician for administration. In both programs, the health plan pays the provider the negotiated fee for the service of administering the medication in the appropriate setting and pays the specialty pharmacy for the cost of the drug.

Specialty pharmacies can improve efficiency in health care delivery, which makes health care more affordable for everyone. Furthermore, their staff also help coordinate a patient’s care by providing close monitoring, collecting data, and sharing that information between the patient’s health care providers. On top of providing these additional, unique services, specialty pharmacies typically provide drugs at a

⁴ <https://jamanetwork.com/journals/jamainternalmedicine/article-abstract/2785833>

⁵ <https://www.statnews.com/pharmalot/2021/01/20/hospitals-biosimilars-drug-prices/>

⁶ <https://www.axios.com/hospital-charges-outpatient-drug-prices-markups-b0931c02-a254-4876-825f-4b53b38614a3.html>

⁷ <http://www.themorancompany.com/wp-content/uploads/2018/09/Hospital-Charges-Reimbursement-for-Medicines-August-2018.pdf>

substantial discount. This means that patients can avoid inflated fees and other costs that hospitals and physicians charge to buy and store specialty medications themselves.

It is important to understand that specialty pharmacies offer patients access to the same drugs, from the same places, using nearly identical shippers who must adhere to the same strict chain of custody and FDA requirements. Here is how it works:

- Hospital/clinicians purchased specialty drugs. Hospitals and clinicians purchase their drugs from a wholesaler or manufacturer or even a specialty pharmacy with whom a manufacturer has a distribution and/or dispensing arrangement. The drugs are then shipped to the hospital or clinician who administers the drug to the patient. The patient and employer pay for (1) the drug; (2) the administration of the drug, and (3) hospital/physician markups and fees.
- Specialty pharmacy purchased specialty drugs. Specialty pharmacies purchase their drugs from a wholesaler or manufacturer. Only when safe and appropriate for a particular patient and consistent with strict chain of custody tracking and FDA safety requirements, the drugs are then shipped to the hospital or clinician who administers the drug to the patient. The patient and employer pay for (1) the cost of the drug; and (2) the administration of the drug.

In summary, specialty pharmacies improve health care affordability while protecting patient safety. Legislation to limit or eliminate this important cost saving tool will create a statutory monopoly on physician-administered drugs to hospital-owned pharmacies and leave patients, families, and employers exposed to out-of-control specialty drug prices and excessive physician markups.

For these reasons, AHIP opposes H-7365 and urges the Committee to not pass this bill.

Thank you for your consideration of our comments. AHIP and its members stand ready for further discussions on this important topic.

Sincerely,

America's Health Insurance Plans



By: _____
Terrance S. Martiesian

AHIP is the national association whose members provide health care coverage, services, and solutions to hundreds of millions of Americans every day. We are committed to market-based solutions and public-private partnerships that make health care better and coverage more affordable and accessible for everyone. Visit www.ahip.org to learn how working together, we are Guiding Greater Health.