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TESTIMONY OF SENATOR SHELLY HETTLEMAN
SB 754 HEALTH INSURANCE CARRIERS AND PHARMACY BENEFITS MANAGERS - CLINICIAN-ADMINISTERED DRUGS AND RELATED SERVICES

As I am sure this committee is already well aware, the price of pharmaceuticals in this country is extraordinarily high and contributes to our high expenditure on health care. High costs mean that many people don't receive the care they need or are experiencing significant financial hardship in order to pay for needed, prescribed drugs.

Whitebagging is one practice in which the price of drugs can be inflated under certain circumstances. Whitebagging is when prescriptions written in a healthcare setting like a hospital are filled by a third-party specialty pharmacy and then subsequently shipped to the provider to prepare and dispense the drug, rather than hospitals procuring drugs directly from manufacturers or distributors. This bill would restrict payers, namely private insurers, from unilaterally mandating that clinician-administered drugs be sourced from an external pharmacy. To be clear, it does not outlaw whitebagging as a practice. The bill's intent is for providers and payers to mutually agree on instances in which whitebagging contributes to lower costs and better outcomes, restricting payers from unilaterally mandating the practice for certain drugs.

Whitebagging often exists when payers restrict their coverage of certain drugs to a narrow network of pharmacists, which can cause delays in care when drugs are harder to procure. According to the American Hospital Association, whitebagging can contribute to safety systems being bypassed, the fragmentation of medical records, and issues with supply chains, which can contribute to drug waste.

Several Boards and Societies of Pharmacists have identified issues with payer-mandates whitebagging. A study in JAMA found that whitebagging can increase patient out-of-pocket costs by $180 per month. For some drugs, it can be a fundamentally inefficient delivery of products that can otherwise be delivered in hospitals, for whom drug rates are regulated. This creates less competition with a smaller group of pharmacies, reducing patients' prompt access to care and fracturing the care delivery process. Further, there is no evidence supporting the claim that restricting whitebagging increases premiums for patients.

Ultimately, the spirit of this bill encourages providers and payers to come together to mutually agree upon the delivery mechanism for drugs that best provides for patients and lowers costs instead of payers restricting their coverage to a short list of specialty pharmacies with whom they have special agreements.