

Maryland SB 526 Will Cost the State Over \$1.1 Billion in Increased Drug Costs

A proposed new law in Maryland will bar health insurers from implementing a pharmacy policy known as "white bagging." The proposed legislation will seriously undermine the ability of health plans and PBMs to manage their medical specialty pharmacy expenditures, and as a result, drug spending in Maryland will soar. Restricting white bagging in Maryland could cost the state **\$99 million in excess drug spending** in the first year alone, and **\$1.1 billion** over the next 10 years.

What is "white bagging"?

White bagging allows for a drug to be shipped directly to a patient's health care provider, where it is administered to the patient, from their specialty pharmacy. Claims processing for the drug happens in real time through the drug benefit rather than through the medical benefit, where physician "buy and bill" can lead to payment delays and high costs. The health plan sponsor then reimburses the specialty pharmacy for the ingredient cost of the drug, and sometimes a dispensing fee, and reimburses the provider for the cost of the drug's administration. The cost of these drugs through specialty pharmacies is typically lower than through providers. Use of white bagging has real benefits for patients, providers, and health plan sponsors.

Benefits of White Bagging

For employers, states, federal government, and other health plan sponsors

- **White bagging often is much less costly:** There are meaningful savings for employers, other health plan sponsors, and government health care payers when physician-administered prescription drugs are dispensed through a specialty pharmacy instead of a hospital or provider office that buys the drug and then marks it up, a practice known as "buy and bill."
- **If the current use of white bagging Maryland was eliminated, then costs to the state's health system could reach \$1.1 billion over the next 10 years.**

For patients

- **Improved access to care:** "[W]hite bagging can improve access for patients, particularly for patients receiving care with small providers."¹ Patients with physicians who are unable to source, afford to buy, and then store a medication can receive convenient care when a white-bagged medication is delivered to the office just ahead of a visit.
- **Improved affordability and transparency:** Through white bagging, a physician-administered prescription can be covered under the pharmacy benefit, which may have lower patient cost sharing than the medical benefit usually used for physician-administered drugs. In addition, the pharmacy benefit processes the claim in real time, which supports patient awareness of their cost sharing.

For health care providers

- **Real-time claims billing:** Unlike the medical claims process, pharmacy benefit claims processing is handled in real time so that authorization and patient cost sharing are processed upfront. Health care providers know their fees, and claims are typically quickly paid.
- **Temperature Controlled Packaging:** Special white bagged packaging obviates receiving and carefully storing certain drugs prior to administration. White bagging also may support smaller health care providers' treatment of patients without the need to coordinate through a hospital or other outpatient facility.
- **Direct communication with provider:** The specialty pharmacy confirms patient and prescription information for shipping and requires signature upon delivery. Real time changes in dosage amounts are addressed directly with the provider to prevent patient delay in treatment and to mitigate waste. Physician-administered drugs dispensed by a specialty pharmacy usually are for maintenance medications, where dosing is well established and changes in dosing are uncommon.

Projected 10-Year Increases in Drug Spending in Maryland, 2024–2033 (millions)

	Fully Insured Group Market	Individual Direct Purchase	Total
White Bagging Restrictions	\$936	\$179	\$1,115

Methodology: The methodology used to create these cost projections is described in "[Appendix: White Bagging Dispensing.](#)"

¹ Massachusetts Health Policy Commission, "Review of Third-party Specialty Pharmacy Use for Clinician-administered Drugs: Report to the Massachusetts Legislature, Section 130 of Chapter 47 of the Acts of 2017," July 2019, Page 4.