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Chairwoman Joseline A. Pena-Melnyk
Vice Chair Bonnie Cullison
House Health and Government Operations Committee
House Office Building, Room 241
Annapolis, Maryland 21401

UNFAVORABLE: HB 1368 – Clinician-Administered Drugs and Related Services

Dear Chairwoman Pena-Melnyk, Vice Chair Cullison, and Members of the House Health and Government Operations Committee:

On behalf of the Pharmaceutical Care Management Association (PCMA), I appreciate the opportunity to comment on a bill allowing dispensing of clinician-administered drugs from certain pharmacies or infusion sites. I respectfully request an unfavorable report on the bill.

PCMA is the national trade association representing America's Pharmacy Benefit Managers (PBMs), which administer outpatient prescription drug plans for more than 266 million Americans with health coverage provided through Fortune 500 large and small employers, labor unions, and government programs. PBMs are projected to save payers over $34.7 billion through the next decade -- $962 per patient per year – as a result of tools such as negotiating price discounts with drug manufacturers and establishing and managing pharmacy networks, in addition to disease management and adherence programs for patients.

There are approximately 80 drugs administered by providers in hospital outpatient departments and physician offices. These drugs are projected to cost about $230 billion in 2023 and $3 trillion for the 2023–32 ten-year period.

Price markups of physician-administered drugs are excessive.
HB 1368 seeks to disrupt the current system of shipping drugs from a specialty pharmacy directly to a site (like a hospital or infusion clinic) for physician administration by instead allowing these sites to purchase the drugs themselves. In doing so, these administration sites can charge whatever prices they want for physician-administered drugs. When hospitals and providers buy and bill for the drugs they will administer, they mark up the drug far over their acquisition costs, and health plans have had no choice but to accept these excessive charges.

An AHIP analysis[i] of the cost of 10 drugs commonly delivered through a specialty pharmacy for provider administration found that:

- Hospitals, on average, charged double the prices for the same drugs compared to specialty pharmacies. On average, physician offices charged 22% higher prices for the same drugs.
- Costs per single treatment for drugs administered in hospitals were an average of $7,000 more than those purchased through specialty pharmacies. Drugs administered in physician offices were an average of $1,400 higher.

These markups on the drug's price are in addition to the amounts hospitals and physician offices separately bill for the services required to administer the drugs. AHIP's findings confirm similar

studies by the JAMA Internal Medicine[ii], Alliance[iii], Health Affairs[iv], and the Moran Company[v]. Patients, families, and employers all bear these unreasonable costs through higher premiums and cost-sharing.

Specialty pharmacy programs are designed for patient safety and efficiency.
Thousands of patients fill prescriptions for specialty drugs each year without issue. Specialty pharmacies must abide by all state and federal legal and regulatory requirements, in addition to meeting extra safety requirements for specialty drugs imposed by the Food and Drug Administration (FDA) and drug manufacturers. In addition to the extremely stringent safety requirements for specialty pharmacies, health plans routinely allow for exceptions to address the rare circumstances of quality, safety, medical necessity, and/or care interruption. Health plans develop their specialty pharmacy programs with all potential dosing and treatment dispensing scenarios in mind. Medications are routinely shipped with enough additional supply so that facilities can adjust a dose as required at the time of administration.

The processes for delivering these medications through specialty pharmacies are the same as those used when hospitals acquire the drugs themselves. In fact, many hospitals and physician groups obtain these medications from the same specialty pharmacies that the sponsors of SB 754 claim are "unsafe."

While the vast majority of shipped prescriptions do not require special handling or packaging, for those that do, mail-service pharmacies use U.S. Pharmacopeia guidelines to determine handling needs and leverage proprietary software to map out the ideal packaging journey, which accounts for the acceptable temperature range, forecasted weather conditions, and destination temperatures. Proprietary software is used by specialty pharmacies to map out a delivery path for those prescriptions that must stay within a specific temperature range. Such software accounts for the acceptable temperature range for each prescription, forecasted weather conditions, and destination temperatures. Based on this information, the appropriate shipping time frame and packaging are specifically determined for that prescription. For example, a specialty pharmacy may package prescription drugs in temperature-protective coolers with gel packs to ensure that the prescriptions stay within a safe temperature range — even accounting for if the package is sitting outside for hours after delivery.

Specialty prescription drugs, including injectable drugs with special handling requirements, are usually shipped through commercial mail and shipping carriers, such as UPS and Federal Express. Specialty drugs requiring refrigeration are typically shipped for overnight delivery, often through common carriers other than the USPS.

I appreciate the opportunity to voice our concerns and am happy to answer any questions you may have.

Sincerely,

Heather R. Cascone

[i] *Hospital Price Hikes: Markups for Drugs Cost Patients Thousands of Dollars*. AHIP. February 2022. https://www.ahip.org/documents/202202-AHIP_1P_Hospital_Price_Hikes.pdf

[ii] Xiao, Roy, et. al. *Hospital-Administered Cancer Therapy Prices for Patients With Private Health Insurance.* JAMA Internal Med. April 18, 2022. https://jamanetwork.com/journals/jamainternalmedicine/article-abstract/2791386

Feldman, William, et. al. *Payer-Specific Negotiated Prices for Prescription Drugs at Top-Performing US Hospitals.* JAMA Internal Med. November 8, 2021. https://jamanetwork.com/journals/jamainternalmedicine/article-abstract/2785833

[iii] Silverman, Ed. *How much? Hospitals mark up some medicines by 250% on average*. STAT. January 20, 2021. https://www.statnews.com/pharmalot/2021/01/20/hospitals-biosimilars-drug-prices/

Herman, Bob. *Hospitals are making a lot of money on outpatient drugs.* Axios. February 15, 2019. https://www.axios.com/hospital-charges-outpatient-drug-prices-markups-b0931c02-a254-4876-825f-4b53b38614a3.html

[iv] Robinson, James, et. al. *Price Differences To Insurers For Infused Cancer Drugs In Hospital Outpatient Departments And Physician Offices*. Health Affairs. September 2021. https://www.healthaffairs.org/doi/10.1377/hlthaff.2021.00211

[v] *Hospital Charges and Reimbursement for Medicines: Analysis of Cost-to-Charge Ratios.* The Moran Company. September 2018. http://www.themorancompany.com/wp-content/uploads/2018/09/Hospital-Charges-Reimbursement-for-Medicines-August-2018.pdf