



Texas Association of Health Plans

1001 Congress Ave., Suite 300

Austin, Texas 78701

P: 512.476.2091

www.tahp.org

April 19, 2023

Dear Chair Kolkhorst & Members of the Senate Committee on Health & Human Services,

As the statewide trade association representing health insurers, HMOs, Medicaid managed care, and other health plans that serve over 20 million Texans, the Texas Association of Health Plans (TAHP) is committed to ensuring that Texas families and employers have access to affordable, comprehensive, and high-quality coverage. One threat to this affordability is excessive markups on hospital-based infusion drugs, often exceeding 200% of the original price. Health insurers are responding by bringing in those same medications for patients from lower-cost specialty pharmacies.

TAHP is neutral on SB 1138 and appreciates the author addressing our concerns regarding excessive markups for hospital-administered drugs.

The most expensive drugs are injectables and infusion drugs provided in hospitals and hospital-owned infusion centers. This cost is not based solely on the high prices of these drugs but also because hospitals are abusively marking up these drugs. New state and federal price transparency laws show that hospitals are marking up drugs at excessive amounts, [on average 200%](#) and up to [634% for cancer drugs](#). By comparison, Medicare will not pay more than a 6% markup or profit margin on one of these drugs.

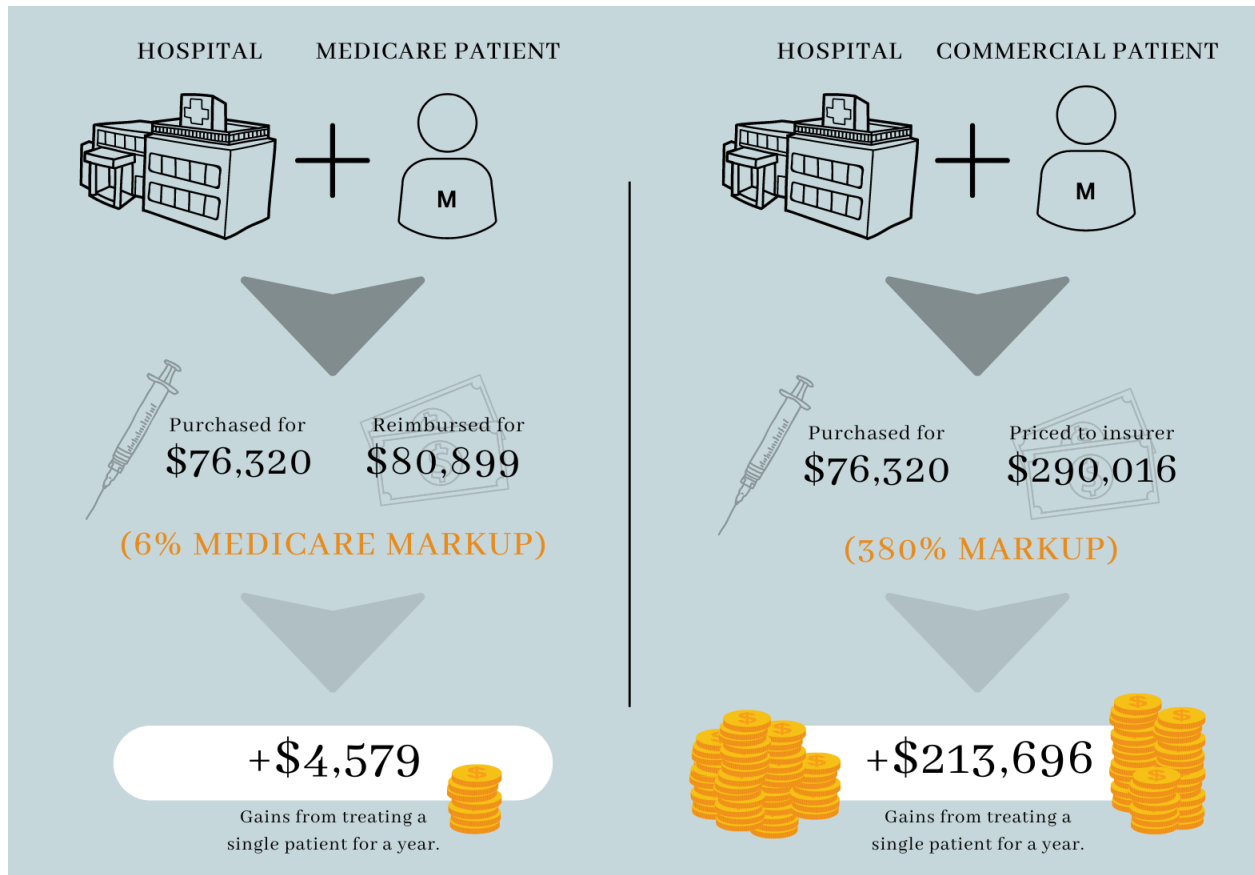
Health plans are responding to these excessive markups with competition by bringing in the same drug from lower-cost specialty pharmacies at a lower price. That's what is commonly called "white bagging," and it saves patients a significant amount of money. An independent report from 2019 submitted to the Massachusetts Legislature by the state's Health Policy Commission found that bringing in lower cost drugs reduced the price of drugs for patients by [38% on average](#).

Importantly, Texas patients pay for these markups through out-of-pocket costs and higher premiums. A white bagging prohibition would allow hospitals to continue to price gouge on these drugs, adding over \$300 million in Texas drug spending in the first year and over 3.7

billion in the next decade. Few states have passed laws that prohibit white bagging competition, and no state has passed legislation that creates a payment mandate that would reward these excessive markups.

A report by the [Community Oncology Alliance](#) illustrates how excessive these markups are in hospitals. The report uses an example of DARZALEX, a very expensive drug to treat blood cancer. In this example, Medicare caps the markup at 6% while hospital transparency data shows that commercial patients face a 380% markup. That means patients with commercial insurance are facing a markup of over \$200,000 on a \$76,000 drug while Medicare patients see a markup of only \$4,579.

Price Breakdown of DARZALEX Markups: Medicare vs Commercial Payers





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Another example is Neulasta, a post-chemotherapy drug used to help reduce the chance of infection in patients. The drug is recommended after every chemotherapy cycle by the American Society of Clinical Oncology.

Average markups are 364% according to an Alliance Bernstein analysis based on new hospital price transparency data requirements. At an average wholesale price of \$6,400, that means hospitals on average are charging over \$23,000 for this critical drug, a markup of more than \$16,000. Texas patients should not be forced to pay more than double the price of the drug because they received it in a hospital.

Health plans limit the use of white bagging only to those drugs that can be safely handled and dispensed through specialty pharmacies. These pharmacies are subject to the same FDA supply-chain safety requirements as any other dispensing pharmacy under the federal Drug Supply Chain Safety Act (DSCSA), as well as stringent state and federal requirements for the safe storage, handling, and dispensing of the drugs. This includes cold storage techniques to ensure products shipped are equipped in packaging able to withstand adverse weather conditions for days. Very expensive and rare drugs often come from just one specialty pharmacy. White bagging allows drugs to come in from these specialty pharmacies but skip the huge hospital markup. Specialty pharmacies are also accredited by nationally recognized accrediting bodies that have specific standards in place to ensure the integrity of the dispensed drug product.

Health insurance providers develop their specialty pharmacy programs with all potential dosing and treatment dispensing scenarios in mind. As an example, for oncology drugs, pharmacies stock (and specialty pharmacies ship) infusion drugs in a powder form, so a physician can adjust treatments. Medications are shipped with additional supply so that doctors and facilities can adjust a dose as needed.

Furthermore, health insurers always have exceptions processes in place that a provider may access to ensure patient safety and care. Specialty pharmacies are on the hook for the cost of these very expensive drugs due to spoilage, delays, or mishandling and therefore have every incentive not to waste any products. Patients are not charged for drugs not used due to treatment changes.



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Prescription drugs now account for 22% of every dollar spent in health care. New drugs entering the market in 2022 reached a record high average cost of over \$200,000. Texans can't afford these markups and the state shouldn't reward this price gouging. We appreciate the author working to address our concerns and to ensure health plans can continue to protect patients from excessive hospital drug markups.

Sincerely,

A handwritten signature in black ink that reads "Jamie Dudensing". The signature is written in a cursive, flowing style.

Jamie Dudensing, RN
CEO
Texas Association of Health Plans