601 Pennsylvania Avenue, NW
South Building, Suite 500
Washington, D.C. 20004
T 202.778.3200
F 202.331.7487
ahip.org

February 8, 2023

Chairman Judy Lee
Senate Human Services Committee
North Dakota State Capitol
600 East Boulevard Avenue
Bismarck, North Dakota 58505

Re: AHIP Concerns on SB 2378, *Relating to clinician-administered drugs*

Dear Chairman Lee and Committee Members,

America's Health Insurance Plans (AHIP) appreciates the opportunity to share our concerns with the Senate Human Services Committee on SB 2873. As proposed, this legislation will undermine affordability and access to care and coverage for the people of North Dakota by prohibiting the tools health insurance providers use to put downward press on the price of prescription drugs.

Specialty drug prices are high and growing. Everyone should be able to get the medications they need at a cost they can afford. But drug prices are out of control, and hardworking families feel the consequences every day. 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.

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. 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]

Physician markups on specialty/clinician-administered drugs are excessive. SB 2378 would attempt to prohibit health insurance providers from structuring benefits and requirements for costly clinician-administered drugs that provide substantial cost savings for North Dakotans without sacrificing product safety or the quality of care.

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*.

AHIP recently released a new study[2] 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 study examined data from 2018-2020 and found:

[1] IQVIA, The Use of Medicines in the U.S., May 27, 2021
[2] AHIP, Hospitals Charge Double for Drugs – Specialty Pharmacies More Affordable, February 16, 2022

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

These markups on the price of the drug were in addition to what hospitals and physicians were reimbursed to administer the drug to the patient. AHIP's findings confirm similar studies by the JAMA Internal Medicine[3], AllianceBernstein[4], Health Affairs[5], and the Moran Company[6].

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 can deliver drugs directly to a physician's office or to a patient's home right before a patient's appointment. 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.

Specialty pharmacy programs are designed to be safe and seamless to the patient. Thousands of patients successfully and safely receive their drugs through brown and white bagging each year without issue.

Specialty pharmacies are only used for certain prescription drugs that may be safely delivered in this way. 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 have exception processes in place 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. In fact, 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.

---

[3] JAMA, Hospital-Administered Cancer Therapy Prices for Patients With Private Health Insurance, April 18, 2022; JAMA, Payer-Specific Negotiated Prices for Prescription Drugs at Top-Performing US Hospitals, November 8, 2021. 3

[4] STAT, How much? Hospitals mark up some medicines by 250% on average, January 20, 2021; Axios, Hospitals are making a lot of money on outpatient drugs, February 15, 2019. l

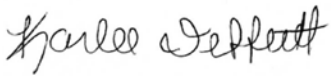
[5] Health Affairs, Price Differences To Insurers For Infused Cancer Drugs In Hospital Outpatient Departments And Physician Offices, September 2021.

[6] The Moran Company, Hospital Charges and Reimbursement for Medicines: Analysis of Cost-to-Charge Ratios, September 2018.

The proposed provisions of the bill would create an anti-competitive, high-cost clinician-administered drug market in North Dakota. If passed, this legislation effectively removes any competitive incentive for providers to offer lower prices and higher quality care because health plans would be prohibited from using utilization management tools for these drugs and services. Plans would not be able to employ benefit design to reward patients for seeking out care at high-quality, lower-cost sites. Overall, the provisions reveal an attempt to redirect clinician-administered drugs to hospital-based settings and away from specialty pharmacies. Eliminating 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.

Thank you for your consideration of our comments. AHIP and our members plans are eager to continue working to fight for more affordable medications for the residents of your state and patients, families, and employers across the country. We strongly urge the Senate Human Services Committee to protect competition and reject policies that will take away lower-cost choices from patients.

Sincerely,



Karlee Tebbutt
Regional Director, State Affairs
AHIP – Guiding Greater Health
ktebbutt@ahip.org / (720) 556-8908

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.