

The logo for the Ohio Association of Health Plans features a stylized lowercase 'i' on the left. The dot of the 'i' is a light blue circle. The stem of the 'i' is a vertical bar that is red on the left side and dark blue on the right side. To the right of the 'i' is the text 'Ohio Association of Health Plans' in a large, bold, red sans-serif font.

# Ohio Association of Health Plans

HB 451 Opponent Testimony  
House Insurance Committee  
March 23, 2022

Chairman Brinkman, Vice Chair Lampton, Ranking Member Miranda, and members of House Insurance: my name is Gretchen Blazer Thompson, and I am the Director of Government Affairs for the Ohio Association of Health Plans (OAHP). On behalf of OAHP, thank you for the opportunity to offer opponent testimony to House Bill 451, which would increase the cost of healthcare for employers and individual Ohioans.

OAHP is the state's leading trade association representing the health insurance industry. Our member plans provide health benefits to more than 9 million Ohioans through employer-sponsored coverage, the individual insurance market, and public programs such as Medicare, Medicaid, and the Federal Insurance Marketplace. Our members offer a broad range of health insurance products to Ohioans in the commercial marketplace and are committed partners in public programs.

HB 451 attacks a health care tool known as white bagging. White bagging is when a health plan delivers a physician administered drug (specialty drug) directly to a hospital or clinic rather than using the hospital's drug supply. It is a tool used to reduce the cost of certain specialty medications covered under a health plan. The practice came about when health plans saw exorbitant charges from hospitals for physician administered drugs dispensed by the hospital. Hospitals held a monopoly on physician administered drugs; therefore, white bagging inserted a form of competition. White bagging has allowed health plans to deliver the same high quality specialty drugs that a hospital would use, but at a much lower cost.

According to a study conducted by The Morgan Company on average hospitals charge 479% of their cost for drugs nationwide. 83% of hospitals charge patients and insurers over 200% of the acquisition cost of medications. Finally, 53% of hospitals markup medications on average between 200%-400%<sup>1</sup>. An article in the Indiana Business Journal cited a study from Stanford Bernstein that stated specific drug markups from hospitals. Some of these include:

- Epogen (use: anemia, kidney disease) – average hospital markup: 533%
- Remicade (use: arthritis, Crohn's disease) – average hospital markup: 464%
- Neulasta (use: low white-blood-cell count) – average hospital markup: 364%<sup>2</sup>

Health plans are constantly fighting for affordable, quality health care; however, when bills like this take important tools away from health plans, it allows for price gouging to continue.

A health plan lowers costs through white bagging in two ways. First, by utilizing white bagging to directly deliver specialty drugs to hospitals at a lower cost. Second, by using white bagging in negotiations with hospitals. If a hospital is

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<sup>1</sup> [Hospital-Charges-Reimbursement-for-Medicines-August-2018.pdf \(themorancompany.com\)](#)

<sup>2</sup> <https://www.ibj.com/articles/battle-over-specialty-drugs-hits-indiana>

proposing to charge significantly more for a specialty drug, but does not want to utilize white bagging, a health plan can use this as a tool in negotiating lower costs with the hospital. Without white bagging, this leverage is gone.

A proponent of HB 451 talked about how some hospitals prefer white bagging or prefer it in certain scenarios. This is true, many times especially smaller hospitals prefer white bagging as it is a way to ensure patients get the drugs they need in a safe and effective way without having to stock these high-cost drugs. Further, many times a hospital that does not utilize white bagging, will utilize it for certain high-cost drugs that are not cost effective to keep in stock. This raises the question of why hospitals believe white bagging is an unsafe, uncontrolled practice in many scenarios, but is working well in these scenarios.

OAHF heard proponents talk about drugs being delivered via white bagging in an uncontrolled way which can result in patient safety risks. It's important to remember many safety protocols are in place. Most medications stocked by specialty pharmacies require certain handling, such as proper temperature control. Further, specialty pharmacies have processes in place to ensure the drugs are handled and delivered based on the manufacturer's guidance. For example, shipping the medication with a specified number of frozen gel packs. It is important to remember that many times hospitals are obtaining the same specialty medication from the same specialty pharmacy as many health plans. Meaning there is no difference in the drug obtained via a hospital or through white bagging.

Further, it has been stated that drugs dispensed via white bagging result in a dispense error. A 2020 Utilization Review Accreditation Commission found that 99.98% of specialty pharmacy prescriptions were dispensed with zero errors. Further, 99.96% of the prescriptions were distributed with zero errors<sup>3</sup>. Health Plans have a shared interest in ensuring patients get the drugs they need in a safe and timely manner. In fact, if in the off chance a drug does not make it to a hospital in time for administration, some Plans have safety protocols in place where at that point a hospital is permitted to use their supply.

HB 451 is similar to white bagging bills in other states. Rachel Ver Velde with Wisconsin Manufacturers and Commerce had an important response to a similar bill in her state: "It is quite shocking that the legislature would consider giving hospitals a monopoly on these drugs and push other competition out of the market."<sup>4</sup> This statement sheds light on the true effect of this bill. If this bill passed a hospital could disallow white bagging, meaning they would have a legalized monopoly in the physician administered drug space.

Rather than passing HB 451, we challenge policy makers to ask hospitals why they're charging so much for these specialty drugs. These markups are obviously not in the best interest of patients and their employers who feel the impact of this price gouging in their premiums.

Thank you for the opportunity to comment on HB 451 on behalf of the more than 9 million Ohioans to whom member plans provide health care coverage. We will continue to fight for affordable, accessible health care for all Ohioans.

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<sup>3</sup> <https://www.urac.org/wp-content/uploads/2021/02/MRS-snapshots-SPEC-PHARM.pdf>

<sup>4</sup> [https://madison.com/wsj/news/local/health-med-fit/specialty-drug-legislation-pits-hospitals-vs-insurers-at-state-capitol/article\\_94f688fe-0f6a-5f7b-bfe5-61281869540d.html](https://madison.com/wsj/news/local/health-med-fit/specialty-drug-legislation-pits-hospitals-vs-insurers-at-state-capitol/article_94f688fe-0f6a-5f7b-bfe5-61281869540d.html)