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February 4, 2025

Banking, Commerce and Insurance Committee
1445 K Street, Room 1507
Lincoln, NE 68508

Re: Support LB 109 – Stop PBM Mandatory White Bagging Policies

Chair Jacobson, Vice Chair Hallstrom and members of the Banking, Commerce and Insurance Committee:

The Coalition of State Rheumatology Organizations (CSRO) supports LB 109, which would stop health plans and pharmacy benefit managers from implementing mandatory "white bagging" policies where the patients and their providers are required to use specific specialty pharmacies, typically owned by the PBM, to acquire the provider-administered medication as a condition of reimbursement or coverage. CSRO serves the practicing rheumatologist and is comprised of over 40 state rheumatology societies nationwide with a mission of advocating for excellence in the field of rheumatology and ensuring access to the highest quality of care for the management of rheumatologic and musculoskeletal disease.

Rheumatologic diseases, such as rheumatoid arthritis, psoriatic arthritis and lupus, are systemic and incurable, but innovations in medicine over the last several decades have enabled rheumatologists to better manage these conditions. With access to the right treatment early in the disease, patients can generally delay or even avoid damage to their bones and joints, as well as reduce reliance on pain medications and other ancillary services, thus improving their quality of life.

Rheumatologists and other healthcare practices that directly administer medications on an outpatient basis are typically engaged in "buy and bill," whereby the medical practice pre-purchases drugs and bills the health plan for reimbursement once the medication is administered to a patient. However, health plans and their pharmacy benefit managers (PBMs) are disrupting this process by implementing mandatory "white bagging" policies where the patient is required to use specific specialty pharmacies, typically owned by the PBM, to acquire the provider-administered medication.

These white bagging policies, which boost the profits of PBMs and their vertically integrated pharmacies, have become all too common. In fact, UnitedHealthcare implemented mandatory specialty pharmacy white bagging policies, which in 2024 applied to over 100 specialty medications.[i]

Unfortunately, these policies can raise patients' out-of-pocket costs as well as costs for self-funded employer health plans. When actual receipts were compared in an employer funded plan, CSRO found that the specialty pharmacy cost to the employer health plan was 3-4 times higher when then medication was obtained through specialty pharmacy as compared to the same medication obtained through "buy and bill" by the physician's office. The employee's cost with "buy and bill" was $25, compared to $500 when mandated specialty pharmacy was used.

This can be cost prohibitive for patients, as many physician-administered medications are complex drugs, and therefore typically more expensive. Through this shift in coverage, patients often face coinsurance and deductibles for specialty medications.

However, when medications are acquired via "buy and bill," health plans impose no or minimal patient cost sharing obligation.[ii] When the patient is responsible for cost sharing, many providers work with their patients to spread payments over time to help ensure the patient is able to afford and receive treatment – a courtesy not often extended through specialty pharmacies.

CSRO is also concerned with product integrity for drugs prepared outside the rheumatologist's office. White bagging policies do not allow providers to control the handling, preparation, and storage conditions of the drug prior to its administration. In a national survey of rheumatologists, 69% of respondents indicated they experienced operational and safety issues associated with white bagging.[iii] Improper handling of these specialty medications can have serious consequences for patients, and white bagging does not allow the provider to control and prevent adverse events.

These policies can also cause delays in receiving the medication, such as failed delivery, incorrect medications, prior authorization issues, and out of stock medications. When medications are mishandled or improperly dosed by outside entities, patients face delays in treatment, which can have serious implications for the health and maintenance of their chronic condition.

Through white bagging policies, the medication dispensed by the specialty pharmacy is assigned to a specific patient. If patients experience flare ups or other unexpected complications, their provider may need to change their medication during their pre-administration evaluation. However, if the patient's medication must be acquired from an outside pharmacy, the provider has to reorder the medication, and the patient is unable to receive their medication the day of their appointment. The patient must then return to their doctor's office once they have received their new medication. This causes delays in treatment and increases the risk of complications.

Unfortunately, the initial medication is also required to be disposed since it cannot be administered to anyone other than the original patient. CSRO has received photos from practices showing significant amounts of wasted medicine due to mandated specialty pharmacy policies. This is a broken system that fails to serve the patient and is easily avoided through the present "buy and bill" system, which offers providers flexibility that prevent patients from delays in care.

White bagging also imposes additional burdens on physician practices, including increased liability and complex inventory management. Unfortunately, providers can still be held liable for adverse events caused the medication dispensed by the specialty pharmacy even when the provider had no control over the medication. These safety and liability concerns can be avoided when the provider is able to source products from their own inventory for in-office administration. These policies also require physician practices to maintain separate, patient-specific product inventory, which requires more granular inventory management, increased staff time and additional costs to the medical practice.

CSRO understands that white bagging may be appropriate in certain circumstances where practices prefer not to buy-and-bill and opt to utilize specialty pharmacies. However, we are strongly opposed to *mandatory* policies imposed by the health plans and their PBMs, which lead to increased patient cost-sharing, delays and loss of access to treatment, wasted medication, higher costs to employers and liability concerns.

We appreciate your consideration and request that you support LB 109. We thank you for your consideration and are happy to further detail our comments to the Committee upon request.

Respectfully,

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President
Board of Directors

Madelaine A. Feldman, MD, FACR
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[i] United Healthcare. Medication Sourcing Protocol – Requirements to use a participating specialty pharmacy for certain medications. December 2024.
[ii] Drug Channels. White Bagging Update 2023: Saving Money or Shifting Costs?. September 2023.
[iii] Coalition of State Rheumatology Organizations. National survey of rheumatology practices, data available upon request.