May 6, 2021

South Carolina House of Representatives
South Carolina State House
110 Gervais St.
Columbia, SC
29201

Re: SC H 3392, Proposed Changes to the Sales Tax Exemption S.C. Code § 12-36-2120(80)

Dear Representative:

The National Infusion Center Association ("NICA") is a nonprofit trade association and the nation's voice for non-hospital, community-based infusion providers that offer a safe, more efficient, and more cost-effective alternative to hospital care settings for provider-administered medications. NICA's efforts are focused on addressing and overcoming challenges and threats to the sustainability of the most affordable care setting for provider-administered medications. We support policies that improve drug affordability, increase price transparency, reduce disparities in quality of care and promote safety across care settings. Our goal is to help key decision-makers understand the value and cost-savings associated with receiving provider-administered medications in non-hospital care settings and preserve this vital delivery channel.

Our organization writes to express concerns with a proposed change to the South Carolina tax code, S.C. Code § 12-26-2120(80), found in Section 14 in H 3392. Under the tax code as it currently stands, injectable medications and biologics that are administered by a physician fall under the "General Public Good Exemptions."¹ Section 14 of H 3392 amends this exemption by requiring that the state collect sales tax on 25% of the gross sale of provider-administered injectable medications and biologics. Effectively, this code change would render only 75% of biologic and injectable drug sales eligible for exemption from the state’s sales tax.²

The majority of states exempt prescription drugs from state sales tax. Since most infusion providers acquire, administer, and bill drugs through a buy-and-bill model, they are not technically purchasing a drug with a prescription. Therefore, when biologic drugs were introduced to market, infusion providers were not originally exempt from sales tax on these extremely expensive drugs. For example, a single dose of Remicade, a biologic drug that is used to treat Rheumatoid Arthritis and other conditions, can cost around $1,300.³ At a sales tax of 6%, infusion providers would be solely responsible for an additional $78 per dose. Depending on the number of doses a single infusion office acquires, these costs can add up quickly. 200 doses of Remicade could cost a provider $15,600 in sales tax alone. The state legislature recognized this unfair tax burden on the state’s infusion providers and the South Carolina tax code

remedied this flaw in 2013 by creating an exemption in the code “for certain injectable medications and injectable biologics.”

Unfortunately, Section 14 of H 3392 would roll back the exemption for infusion providers. Using the above example, South Carolina infusion centers would be responsible for $19.50 per dose of Remicade or $3,900 for 200 doses. It is important to note that infusion centers already operate on extremely slim margins due to a volatile reimbursement environment. David Goodall, CEO of Palmetto Infusion with 15 locations across South Carolina, stated, “this [policy] would drop an already low margin business by at least 1%. To put this in perspective it would drop our forecasted earnings for 2021 by 14%.” This testimony by Mr. Goodall, whose centers serve close to 8,000 patients, demonstrates how this proposed change would disrupt a delicate reimbursement equilibrium that infusion providers rely on in offering the most cost-effective care setting for provider-administered medications. Our nation’s non-hospital, community-based infusion providers simply cannot absorb or offset any additional losses on this critical service line.

Our member infusion centers like Palmetto Infusion represent the lowest-cost care setting for the administration of life-saving medications. Given their lean business model and slim margins, infusion providers are hypersensitive to even the smallest reductions in revenue due to the significant underlying cost-reimbursement disparity within the medical benefit landscape. For example, the cost for non-hospital infusion centers to furnish a three-hour infusion service is roughly $2,000, even though Medicare pays at most $211.10 in compensation for the same service. As such, the economic viability of infusion centers hinges on their ability to absorb these enormous professional service losses with positive margins from their drug payments. For infusion centers, medication delivery is the sole service line. Taxing drug acquisition will threaten infusion providers’ ability to provide medical benefit drugs in the lowest-cost care setting. If community-based infusion centers are forced to shutter their doors, the access footprint for these medications would shrink dramatically. The long-term implications of reduced care access in South Carolina would be significant: poorer health outcomes, reduced quality of life, and reduced productivity at a significant increase in cost.

We understand that South Carolina lawmakers have a responsibility to increase state revenue and offset losses, especially amid the ongoing COVID-19 pandemic. We also recognize that taxing only 25% of the gross sale may appear inconsequential. However, this change to the current tax exemption status of provider-administered injectable medications and biologics will not be without consequence for the South Carolina patient population who relies on these drugs and the infusion providers who administer them.

---

5 Goodall, David. “S.C. Code § 12-36-2120(80).” Received by Kindyl Boyer, 4 May 2021. Email Interview.
6 According to survey data from infusion providers, the average total practice expense per infusion hour ranges between $375 and $430 per service hour depending on class of trade and market
7 Physician Fee Schedule. (n.d.). Retrieved May 06, 2021, from https://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/PhysicianFeeSched
Increasing the tax burden on infusion providers, especially in the current economic environment, will likely eliminate capacity among many, if not all, of the 68 non-hospital infusion centers in South Carolina responsible for administering over half of all provider-administered medications at less than 50% of the spend on these drugs (hospitals account for >50% of spend, despite furnishing less than 50% of treatments). Generally, when a patient and provider decide a biologic is the most appropriate treatment option, the patient has already exhausted all available conventional drugs across an arduous disease management journey. Given the expensive nature of infusion drugs (e.g., biologics), most patients—including the state’s sickest and most vulnerable—rely on non-hospital infusion centers to afford the treatments required to optimize health outcomes, maximize quality of life, and minimize the physical, emotional, and economic burdens of disease.

To highlight the dramatic savings associated with infusion center sites of care, the Employee Benefit Research Institute (EBRI) recently examined 25 health care services—including eight non-oncology, infused specialty medications—for 10.9 million adults between the ages of 18 and 64 who enrolled in employer-sponsored insurance in 2018. EBRI found that, “[i]f site-of-treatment price differentials for specialty medications were eliminated, employers and workers would save as much as 36 percent, depending on the medication.” In a separate study conducted in January 2020, Avalere Health analyzed the cost disparity between undermanaged rheumatoid arthritis patients (a condition treated with Remicade and Renflexis) and effectively managed RA patients. The study found that the patients with undermanaged RA had 121% higher medical costs than all other RA patients. Avalere identified greater utilization of hospital and physician services as the main driver behind these higher costs for undermanaged disease. These two studies support the assertion that any policy changes that will directly or indirectly lead to the elimination of the lowest-cost care setting and reduce a patient’s ability to access the right care at the right time will result in substantial healthcare spending. This spending will likely overshadow any sales tax revenue generated from non-hospital infusion centers, which will only be a source of revenue for as long as they are able to stay in business. Making this proposed change to the South Carolina tax code without understanding the challenging reimbursement environment that our infusion providers must navigate will only lead to fewer available sites of care, a forced patient migration from the lowest cost care setting to the highest (e.g., hospitals), and potentially irreversible disease progression.

We suggest that South Carolina lawmakers explore other options for increasing state revenue that do not financially paralyze the most efficient and lowest-cost delivery channel for infusion treatments and harm the state’s most vulnerable patients. On behalf of the providers who furnish infusion medications in non-hospital care settings and the patients they serve, we implore you to further evaluate the unanticipated implications associated with the proposed change to South Carolina tax code, S.C. Code § 12-36-2120(80), found in H 3392, and to continue sales tax exemption for 100% of the gross sales from provider-administered medications.

---


11 EBRI Issue Brief No. 525: “Location, Location, Location: Cost Differences in Health Care Services by Site of Treatment — A Closer Look at Lab, Imaging, and Specialty Medications” by Paul Fronstin, Ph.D., Employee Benefit Research Institute, and M. Christopher Roebuck, Ph.D., RxEconomics, LLC (Feb. 18, 2021).

Should you have any questions, comments, or require additional information, please feel free to contact me directly at kindyl.boyer@infusioncenter.org or 512-402-6955.

Sincerely,

Kindyl Boyer
Director of Advocacy, National Infusion Center Association (NICA)
3307 Northland Dr, Ste 160
Austin, TX 78731