Oregon's psilocybin economy: from spore to trip

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Voters passed the psilocybin initiative in November 2020.

Nearly three years after voters passed Measure 109, making

Oregon the first state to legalize psychedelic mushrooms, a new ecosystem is taking shape.

Four psilocybin manufacturers are producing product and sending samples to a Portland testing lab. More than 100 people have completed their training to become facilitators for psilocybin trips, 23 have received their licenses and dozens more are enrolled in some 22 programs.

The moment everyone is waiting for is close at hand, as three licensed service centers sift through waiting lists and prepare to welcome their first clients.

“There are a lot of historic firsts here, but we’re coming up on the biggest,” said Sam Chapman, executive director of the Healing Advocacy Fund, a psilocybin education and advocacy nonprofit. “The pieces of the puzzle are all there.”

Looking beyond the startup phase, how the industry will look in a year, let alone five- or 10-years’ time, is tough to predict for a variety of reasons.

Meet nine psilocybin trailblazers in Oregon

For one, there’s no real precedent to serve as a guide. Unlike recreational cannabis, psilocybin cannot be legally retailed — just ask the former proprietors of The Shroom House, which sold the substance openly for about a month before getting raided by the Portland police. Oregon instead chose a service-oriented path that comes with a host of rules, regulations and steep fees that could dampen both supply and demand and fuel the underground psilocybin economy.

The big question is whether the demand is there for services that can run into thousands of dollars per session, restricting the psilocybin to the affluent. Nor will psilocybin be available everywhere in Oregon, also limiting access. Last fall, 114 Oregon cities and 24 counties passed psilocybin bans, some temporary, others permanent. And several counties have passed zoning rules

to restrict service centers to commercial areas only, effectively nixing psilocybin nature retreats, including Synthesis Institute's planned resort outside of Ashland.

Despite the setbacks and costs, entrepreneurs are clearly eager to get in on the ground floor of an emerging industry.

"It wasn't like the switch was on and in 2023, all of a sudden there were multiple centers and facilitators, so it will take a long time to get to a critical mass," said Matias Serebrinsky, co-founder of PsyMed Ventures, a psychedelics-focused VC firm. "Will it scale or not? That depends on many things."

Psilocybin's promise

Psilocybin, a naturally occurring psychedelic compound found in 200 species of fungi, may be having a moment now, but indigenous people have for centuries used hallucinogenic mushrooms to induce altered states of consciousness.

Momentum picked up in the last decade. In 2014, the Portland Psychedelic Society came together as a "loosely formed" meetup group, before incorporating as a nonprofit to "share resources, find others, get information if you're new or curious and also for those working with these substances personally or in underground to share knowledge, to drop the stigma and taboo and learn safely from others," said Max Kelemen, the society's immediate past president.

Michael Pollan's 2018 bestseller "How to Change Your Mind" brought the psychedelic conversation into the mainstream. A year later, the Food and Drug Administration designated psilocybin as a breakthrough therapy for treatment of depression, and clinical trials and research have suggested it can also address anxiety, PTSD and addiction.

Tom and his late wife Sheri Eckert, who passed away six weeks after voters approved Measure 109, in 2016 founded the Oregon Psilocybin Society, led the charge to get psilocybin legalization on the ballot, promoting the measure as a way to help alleviate Oregon's mental health crisis.

“Once people understand what psilocybin actually is, that it’s not crack, it’s not addictive, and we've got education around it, they tended to support the ballot measure,” said Dr. Erica Zelfand, a naturopath who trains psilocybin facilitators at InnerTrek, founded by Tom Eckert in Damascus.

Measure 109 passed resoundingly, with 56% of the vote and inspired a similar initiative in Colorado that passed last year. What’s billed as the largest psychedelics conference in history came to Denver this month.

“I think the demand is there because we need something new,” Zelfand said. “The tools we have are good, but not enough. We need more in the arsenal. More and more Americans are becoming disillusioned with the conventional medical model.”

Cathy Jonas, owner of EPIC Healing, who was awarded the first service center license in the state, said in an email that she’s on track to open in the next week. In a video update she posted to YouTube, she said she has an "extremely long wait list" and is considering a scoring a lottery system.

“We’re offering a safe space for people to do a deep journey into themselves,” she said in the video, while also lamenting that the process "has been fraught with difficulties" and $60,000 in startup costs.

High cost could hamper psilocybin industry growth

Measure 109 didn’t suddenly make it legal to trip on magic mushrooms any time anywhere. It directed the Oregon Health Authority to set up a system to license and regulate psilocybin products and services, a process that took two years and produced 72 pages of rules.

Adults over the age of 21 can legally consume psilocybin only at a licensed service center under the watchful eye of a facilitator — a selling point or a costly bane, depending on your point of view. The process takes several days, starting with a preparation session, followed by a six-hour-plus administration session and finishing with an optional integration session.

Because OHA's Oregon Psilocybin Services unit is designed to be self-sustaining, the price of participation is high, whether you're a service provider or a client.

"The hot-button issue is how prohibitively expensive it is to become an above-ground facilitator and how will that be passed along to consumers," Kelemen, of the Portland Psychedelic Society, said.

Facilitator training programs charge students upwards of $10,000. It costs just $150 to apply for a facilitator license, but $2,000 to renew it annually. Compare that to an MD, who pays less than $600 for a license renewal.

Service centers' yearly fee is even higher — $10,000. Then there's the steep tax liability, thanks to Section 280E of the IRS code. As with cannabis and unlike the corner coffee shop or any other traditional businesses, none of a service center's costs can be written off on federal taxes, since psilocybin is a Schedule 1 illegal substance.

"You could have some big tax liability and no revenue to cover it," "said Vincent Sliwoski, an attorney with Harris Bricken in Portland who has represented many cannabis businesses and writes a psychedelic law blog.

A service center with a $200,000 profit could see a tax bill of $300,000, putting it underwater unless it compensates by raising prices by 30%, Ryan Reid, co-founder of a planned Bend service center said during a May briefing held by the Healing Advocacy Fund.

Traditional banking also is not available to psilocybin businesses, and while landlords may be willing to rent space to a service center provider, their mortgage lenders may not allow it, Sliwoski said. Liability insurance may also be tough to come by.

"When people try to model it out from a cash flow or business perspective, it seems like a harder way to make money than with cannabis, when you had retail sales and scalability and didn't have an obligation to have someone sit with the client all day long," Sliwoski said. "It's going to be hard for a lot of people to

figure out how to pencil it."

At the end of the day, a psilocybin session will run about $1,500 to $3,500.

"If prices don't come down somewhat, I don't know that there will be a lot of interest from the public," said Regina Moore, a pharmacist on the Central Oregon coast and co-founder of The Psychedelic Pharmacists Association.

Another issue that may potentially drive up costs is that psilocybin is often described as "therapy," whereas Oregon's program is strictly non-medical, "supported adult use," Moore said. Facilitators are required only to have a high school diploma and 160 hours of training, but many have medical backgrounds. They are not allowed under Oregon's rules to diagnose or treat health conditions at the service center. Yet those practitioners may be expecting compensation akin to what they'd receive in a medical setting, Moore said.

Facilitators are basically trip sitters.

"My concern is the expectations consumers have when they hear the term therapy, and they're going to be more comfortable paying for a level of service they may not get," Moore said. "I think there's some interest in continuing to put things under that lens, so people who are more resistant to wider use of psychedelics have a frame of reference that feels more comfortable for them."

Chapman said he expects costs to ease up as operators "get their footing and we come together to create opportunities for affordable access."

Those who can afford the current prices can "pay it forward and support people who can't afford access," he said. Bendable, a service center in Bend awaiting its license, plans to charge clients on a sliding scale, from $2,300 down to nothing, made possible by donations, said co-founder Amanda Gow.

"Our mission is to provide accessible services throughout Central Oregon," Gow said. "We will not decline someone for services based on an inability to pay."

Psilocybin investment opportunities and more

Serebrinsky said although his VC firm is sitting on the sidelines, he's keeping an eye on the state.

"One of the interesting things about Oregon is it could be a place where pilots are being started for products and services that then go and target a much wider audience," he said.

For example, if software were developed to track mental health data before and after someone takes psilocybin, "that might be interesting," he said. "It could start in Oregon and expand to other places."

Chapman said Oregon's Medicaid program could even do a psilocybin pilot project, creating a roadmap for private insurance coverage.

"We know if we continue to do research in those areas outside of clinical trials at the state level in a real-world research context, not only could we show the efficacy and positive outcomes for those populations, but also the cost savings the state might realize through providing support for audiences they're already funding through Medicaid," Chapman said.

Sliwoski predicts the market will likely skew toward a handful of bigger operators, "a few resort-type places and urban service centers."

"We'll see how the program goes, but I'm confident it will be tweaked and adjusted," he said. "The overarching theme is it will be small and hard and for rich people for a while."

Zelfand, the InnerTrek trainer, believes demand for alternatives to traditional medicine is only going to grow, especially after the Covid-19 worsened the mental health crisis.

"Will there be jobs for every facilitator next month?" Zelfand said. "Probably not. Will they be coming soon? I think so. We're on the cutting edge of an industry that's about to explode."

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