



April 26, 2022

The Honorable Anthony J. Portantino
Chair, Senate Appropriations Committee
1021 O St., Suite 7630
Sacramento, CA 95814

SUBJECT: SB 958 (Limón and Portantino) — SPONSOR

Dear Senator Portantino:

California's hospitals and health systems are committed to the safe, timely delivery of life-saving medications for their patients. Unfortunately, a recent change in third-party payer practices jeopardizes Californians' health, safety, and well-being by restricting access to critical medications — and placing the health plan and its third-party vendors between patients and providers.

To address these concerns, the California Hospital Association (CHA) is proud to sponsor Senate Bill (SB) 958 (Limón and Portantino), which would prevent health plans from mandating the use of third-party vendors for specialty medications. While SB 958 would not prohibit this practice (referred to as "white bagging"), it provides a framework for when white bagging is appropriate and for ensuring patient safety and medication integrity.

Vulnerable patients with complex diagnoses — including diseases such as cancer and multiple sclerosis — and their providers should feel confident that medications will be available when their appointments are scheduled, and that they have been safely stored and handled. White bagging policies have shown to result in delays in care if medications are not delivered in a timely manner or must be re-ordered because of changes due to a same-day assessment. These delays in care can cause patients undue stress and potentially put their health at risk.

Additionally, white bagging policies require physicians and hospitals to order medication on a patient-by-patient basis from a third-party vendor contracted with the health plan instead of using medication the hospital or physician's offices have in stock. These policies threaten patient and medication safety by circumventing a hospital's or physician's office's quality control protocols, leaving the provider with no way of assuring drug integrity. Health care providers keep specialty medications in stock — so that they are available in the form and dose whenever needed by a patient — and take primary responsibility for patient and medication safety. To this end, providers have policies and procedures in place that ensure proper acquisition, storage, preparation, and administration of drugs. White bagging removes providers from the process of acquiring and managing medications and instead places the responsibility with health plans and their vendors to manage and deliver, increasing the opportunity for error.

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While white bagging may present initial cost savings to health plans, increased costs for hospitals and physicians' offices to manage inventory on a patient-by-patient basis cancel much of these savings. A recent, nationwide estimate placed these higher provider administrative costs at over \$300 million annually. Waste from mishandled and incorrectly dosed medications only adds to these costs. And since the overall impact of the bill on insurance costs is likely negligible and uncertain, the cost for state programs can only be minimal. Accounting for the real patient costs of delayed care, disease progression, and preventable hospitalizations ultimately outweighs and cancels any remaining savings to the health care system.

White bagging is a national issue that is being addressed at the federal level and in states such as Wisconsin and Ohio. Patient stories of delayed care, frustration from providers who find it difficult to secure the most appropriate drug for their patients, and the increased costs to providers to receive, verify, and manage drugs sent from a third-party vendor are driving a nationwide effort to address this pressing issue.

SB 958 would protect California patients by preventing delayed or suboptimal care, patient distress, and unnecessary hospital admissions by ensuring that patients have timely access to safe medications. For these reasons, CHA and its more than 400 hospital and health system members request your "AYE" vote on SB 958 when it comes before your committee.

Sincerely,



Kathryn Scott
Senior Vice President, State Relations and Advocacy

cc: The Honorable Monique Limón
Members of the Senate Appropriations Committee
Samantha Lui, Consultant, Senate Appropriations Committee
Tim Conaghan, Consultant, Senate Republican Caucus