CHA | California Hospital Association

Key Messages

Medication Safety Laws Must Prioritize Protecting Patients, Saving Lives

The safe, timely delivery of life-saving medications for patients is paramount.

- In the past few years, insurance companies have begun mandating the use of third-party vendors for specialty medications administered at hospitals — despite increased risks for children and adults with cancer and other life-threatening illnesses.
- In this practice, known as "white bagging," an insurance company or pharmacy benefit manager selects an off-site pharmacy to deliver delicate medications on a patient-by-patient basis to hospitals. Recent data show that about a third of infusion drugs provided in hospital outpatient departments are distributed via white bagging and that the practice is growing.
- This creates a host of potentially deadly problems, including improperly stored medication, delays in treatment, unnecessary changes in treatment plans, and upheaval for patients who must reschedule care.

Claims that hospital-based pharmacies, whose singular focus is patient safety, would increase the costs of these medications are inaccurate.

- White bagging creates significant and avoidable downstream health care costs. Because white bagging disregards many medication safety guardrails, including drug integrity oversight, any medication that is improperly handled must be discarded and then refilled.
- White bagging creates additional costs ($310 million annually according to one recent estimate) in the form of more time for clinicians to manage the safe delivery, storage, and administration of white bagged medications and coordinate coverage among the patient's insurance company, pharmacy benefit manager, and dispensing pharmacy.

White bagging prioritizes insurance company profits over patient safety.

- In June 2022, 51% of California's hospitals are operating in the red, unsure of how long they can remain viable or what services might have to be cut in order to keep the doors open. At the same time, California's insurance companies are earning billions of dollars a year in profit.
- Between 2017 and 2019, pharmacy benefit manager gross profit increased 12% to $28 billion — much of that driven by mail order and specialty pharmacy services. During the same time period, health insurance premiums increased by nearly 11%.
- White bagging shifts benefits coverage for patients from "medical benefits" to "pharmacy benefits." This can raise patients' out-of-pocket costs, as the cost-sharing burden is often higher for pharmacy benefits than for medical benefits. This saves money for insurance companies, not patients.
- The more steps and handlers a medication has, the more challenging it is to assure drug integrity. For vulnerable patients, improperly handled or stored medication can have devastating consequences.
- White bagging can disrupt just-in-time dose modifications based on point-of-care needs, which can be life-threatening. Specialty medications are often tailored to each patient based on ever-changing circumstances, such as disease progression and comorbidities, as well as a drug's toxicity and side effects.

To ensure patient safety and the best clinical outcomes, legislation is needed to prevent insurance companies from putting their needs above patients' needs.

- CHA's sponsored bill, Senate Bill (SB) 958 (Limón, D-Santa Barbara, and Portantino, D-La Cañada Flintridge), prevents health plans from mandating the use of third-party vendors for specialty drugs.
- The bill would not outlaw white bagging, but would disallow this practice when it is not in the best interest of the patient.