

February 20, 2025

Oregon State Legislature  
House Committee on Behavioral Health and Health Care  
900 Court Street NE  
Salem, OR 97301  
*Submitted electronically via OLIS*

**RE: HB 2011, related to insurance coverage of physician-administered prescription drugs**

Chair Nosse and Members of the Committee:

On behalf of Oregon's 61 community hospitals and the patients they serve, the Hospital Association of Oregon supports HB 2011. This bill would prohibit health insurers and pharmacy benefit managers from restricting coverage of physician-administered prescription drugs that are obtained at nonparticipating pharmacies. HB 2011 is necessary to support safe and reliable access to the medications Oregonians need.

**White bagging is a patient safety risk.** Most drugs subject to insurer white bagging policies are needed to treat extremely sick patients—for example, people with cancer or severe autoimmune diseases. The quality concerns and treatment delays that result from white bagging can be debilitating and even life-threatening for these patients. Ways that white bagging creates risk include:<sup>1</sup>

- **Complexity and uncertainty in the drug supply chain.** The provider is often unable to validate the quality or integrity of the product being delivered, including chain of custody or shipping and storage conditions. Misdirected mail can result in delays. Separate inventory systems for white-bagged medications can increase the risk of errors.
- **Treatment delays due to changes in clinical needs.** If a patient's clinical status has changed from when the medication was ordered (for instance, the patient needs a different dose based on updated lab results), the adjusted medication must be re-ordered from the third-party pharmacy, treatment is delayed, and the original order of medication may have to be wasted. In the absence of white bagging, providers can make just-in-time changes to medication dosing.

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<sup>1</sup> For more information about how white bagging works and why it can harm patients, see this infographic from the American Hospital Association: [Payer-Mandated White Bagging Model](#).



**White bagging primarily exists to enhance insurer profits.** The specialty pharmacies that insurers require providers and patients to use are often owned by or otherwise affiliated with the insurer. This allows insurers to harvest profits at multiple points in the supply chain. Insurers argue that white bagging saves money, but there is little evidence that those savings are passed on to patients. In fact, a study of patients with cancer found that white bagging (and the similar practice of “brown bagging,” in which medications are shipped directly to patients) resulted in *higher* out-of-pocket costs for patients.<sup>2</sup> Accusations that hospitals greedily mark up the cost of physician-administered drugs are misplaced. Oregon hospitals are struggling to make ends meet, with approximately half losing money because health insurers’ payments do not cover their cost of providing care. One analysis found that for the first nine months of 2023, the largest health insurers nationally posted profit margins more than *seventeen times higher* than those of nonprofit hospitals.<sup>3</sup>

To underscore these points, accompanying this testimony is a document from the American Hospital Association that shows the differences in complexity and risk in payer-mandated white bagging models for patients obtaining their prescription drugs compared to hospital and health system models.

White bagging is a safety hazard to all patients who need these medications. We support the passage of HB 2011. Additionally, we expect that there will be a forthcoming amendment that will remove the unlawful business practice added in Section 3 of HB 2011, and we plan to support that amendment to the bill.

Sincerely,



Travis Meuwissen  
Director of Government Affairs  
Hospital Association of Oregon

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<sup>2</sup> See Ya-Chen Tina Shih, et al., [Financial Outcomes of “Bagging” Oncology Drugs Among Privately Insured Patients with Cancer](#), *JAMA Network Open*, September 7, 2023.

<sup>3</sup> STAT, [Here’s who’s profiting the most in health care](#), January 2, 2024, reporting that the average profit margin for the biggest companies by revenue in each sector for the first nine months of 2023 was: 17.4% for drugmakers; 10.7% for medical device manufacturers; 5.2% for health insurers; 4.5% for pharmacy benefit managers; 3.2% for for-profit hospitals; and 0.3% for nonprofit hospitals.



## About the Hospital Association of Oregon

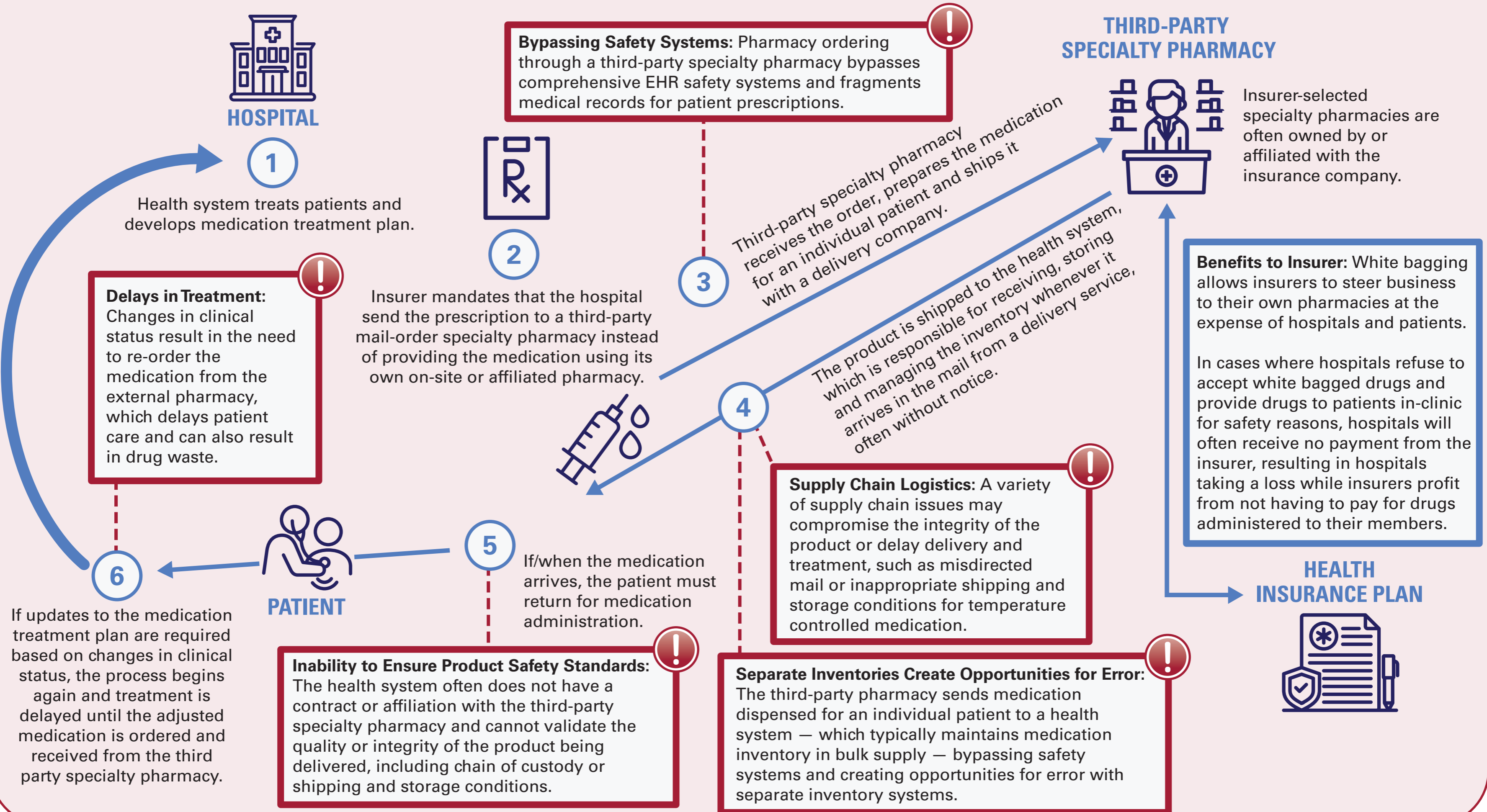
Founded in 1934, the Hospital Association of Oregon Association (HAO) is a mission-driven, nonprofit trade association representing Oregon's 61 hospitals. Together, hospitals are the sixth largest private employer statewide, employing more than 70,000 employees. Committed to fostering a stronger, safer, more equitable Oregon where all people have access to the high-quality care they need, the hospital association supports Oregon's hospitals so they can support their communities; educates government officials and the public on the state's health landscape and works collaboratively with policymakers, community based organizations and the health care community to build consensus on and advance health care policy benefiting the state's 4 million residents.



4000 Kruse Way Place  
Building 2, Suite 100  
Lake Oswego, Oregon, 97035

Phone: 503.636.2204  
Email: [info@oregonhospitals.org](mailto:info@oregonhospitals.org)  
Web: [oregonhospitals.org](http://oregonhospitals.org)

# PAYER-MANDATED WHITE BAGGING MODEL



# HOSPITAL AND HEALTH-SYSTEM MODEL

## HEALTH SYSTEM PHARMACY



HOSPITAL



PHARMACY



**Adheres to Safety Protocols:** Medications flow through standard safety channels, including medication ordering and management systems with built-in safeguards. This model avoids requiring the involvement of outside, third-party vendors, which may circumvent hospital safety systems.



**Streamlined Logistics:** Patient medications are provided from on-site inventory, avoiding potential delays in shipping or delivery, misdirected mail, or other disruptions in medication delivery.



**Avoids Delays in Treatment:** Medications are provided to patients from on-site inventory and can be adjusted day-of based on the patient's most up-to-date clinical status.

1

Health system treats patients and develops medication treatment plan.

2

Health system enters medication order into EHR, which provides comprehensive safety checks and a complete record of medication orders and administration.

3

The health system pharmacy prepares medication on the day of clinic infusion from its own inventory. Updates to the medication treatment plan resulting from changes in clinical status can be adjusted day-of, on-site to prevent delays in care.



**Enhanced Care Coordination:** The patient's care and medication management is centralized with their healthcare provider, ensuring care coordination and avoiding medication record fragmentation.