



Prescription Drug Affordability

Legislative Briefing

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10:00am

Opening Remarks



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Legislation to reform California's rebate system

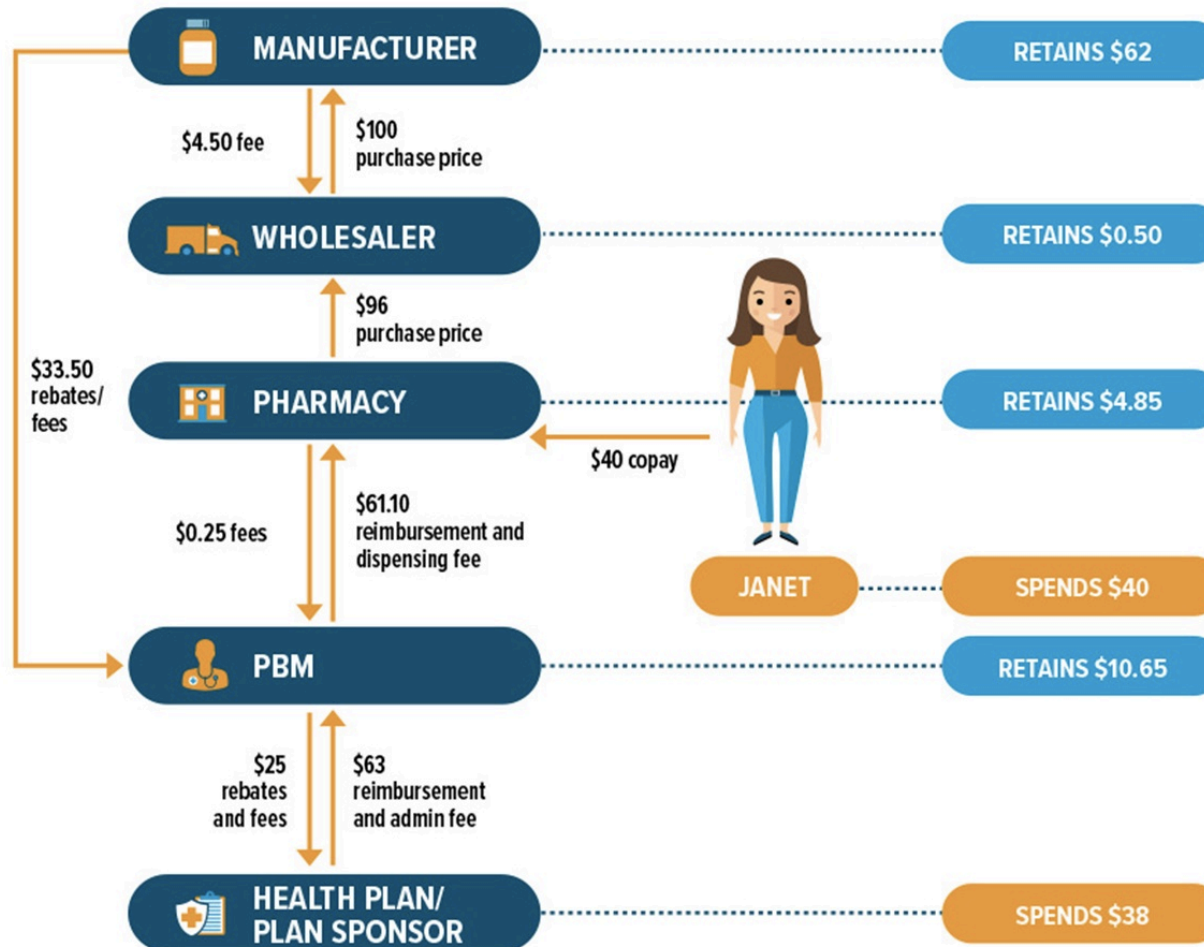
- Far too many Californians walk away from the pharmacy counter, skip, or ration their medicines due to cost
- Rebates typically mean consumers getting money back on their purchases
- The current, unjust rebate system benefits health plans and pharmacy benefit managers to the tune of billions while doing nothing to lower out-of-pocket costs for patients
- Asm. Tom Daly's legislation requires health insurance plans pass on at least 90% of rebates to patients to help them afford their prescriptions

The current prescription drug rebate system

- Here's how the current rebate system works:
 - 1) Drug makers set a list price for their products
 - 2) Makers then negotiate with PBMs or health insurers over how much of a discount they will provide off that list price
 - 3) Health insurers also contract with PBMs on their drug purchasing using drug formularies (the lists of medications available) to negotiate pharmacy rebates
 - 4) PBMs work with drug manufacturers to negotiate rebates on medications in return for priority placement of those medications on drug formularies

On average, manufacturers rebate 40% of a medicine's list price back to health insurers, PBMs, the government and other entities. These rebates and discounts totaled \$1.2 billion for California health plans in 2019.

Flow of Payment for a \$100 Blood Pressure Medicine (Patient Pays a Copayment)



The problem

- Existing law is silent on whether rebates received by PBMs and health insurers should be passed onto the patient
 - In other areas, such as care at an in-network hospital or a physician's office, patients **do** receive the negotiated rate
- After negotiating rebates, the price health plans and PBMs pay is significantly lower than the “list price” of the medicine – the price a patient with a commercial health plan pays at the pharmacy counter
- In California, a report from the Department of Managed Healthcare showed that health plans in the state received over **\$1.2 billion in rebates from manufacturers in 2019, up 27% from 2017**
 - *That is \$1.2 billion that could and should go to patients but is not*

AB XX – Prescription Drug Affordability

- Assemblymember Tom Daly's legislation requires that insurance companies pass on at least 90% of rebates to patients
- This legislation will help ensure all patients can afford their medications, especially now as Californians are continuing to experience economic hardships due to the COVID-19 pandemic
- Contact Kaitlin Perry at kaitlin@perrycom.com for more information about the bill and to coordinate a letter of support, should your organization be interested
- We will follow up later this week with a toolkit containing the press release, fact sheet, FAQ, sample social media content, and sample template support letter



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