

June 15, 2017

California Bills Target Health Care Costs

Rising health care prices are increasing health care costs for consumers, employers, and other purchasers of health coverage. Prescription drugs and hospital costs are the primary cost drivers in our health care system. Hospital costs make up over 40% of health insurance premiums while prescription drugs account for almost 20% of premiums for those under age 65, and even more if you count drugs administered in a doctor's office, such as chemotherapy, or drugs administered in hospitals and other health facilities.

PRESCRIPTION DRUG COSTS

Prices for both new and existing prescription drugs keep climbing, driving up overall health care costs. Escalating drug prices affect not only consumers' health but also their pocketbooks in the forms of higher premiums, co-pays, deductibles, and other out-of-pocket costs. When people are hit with higher drug costs, they are more likely to skip doctor appointments, tests and procedures, and not fill their prescriptions.¹ **Five bills – SB 17 (Hernandez), SB 790 (McGuire), AB 265 (Wood), AB 315 (Wood), and AB 587 (Chiu)** – all take steps towards controlling drug prices by scrutinizing different parts and players in the prescription drug industry in order to provide better information about price increases and spending and help purchasers better manage these costs.

SB 17 (Hernandez): Prescription Drug Price Transparency and Public Disclosures

Co-sponsored by Health Access California, the California Labor Federation, and UNITE HERE, SB 17 increases transparency by requiring advance notice of price increases to public and private purchasers and additional information about pricing, marketing, and impacts on insurance premium rates and cost-sharing. For decades, California has made information public on costs and quality of health facilities because of the impacts on purchasers, both public and private. Every other segment of the health care system, such as health insurers, health plans, and hospitals, is required to provide transparency and information on costs and price increases. SB 17 would address the lack of clarity in the prescription drug industry by making information public about pricing decisions and elements of drug costs. Transparency and advance notice will help consumers and payers to better plan for expected drug expenses.

SB 790 (McGuire): Limits on Gifts and Benefits to Doctors to Ensure Unbiased Decisions

SB 790 would prohibit drug manufacturers from offering and giving gifts to physicians and teaching hospitals that amount to over \$250 in a year. Academic literature has shown that even the smallest gifts, like a free meal, promotional samples, or more lavish gifts like trips or honorariums can unduly influence a physician's prescribing decisions and professional behavior.² Consumers should be able to trust their doctor whenever they make treatment and prescription drug recommendations that in turn, inform consumers' health care decisions. Consumers should not have to question or worry about whether or not their doctor was influenced by drug companies' gifts, even indirectly. This bill provides consumers the assurance that drug manufacturers do not directly or indirectly sway physicians' prescribing decisions.

FACT SHEET: California Bills Target Health Care Costs

AB 265 (Wood): Preventing Manufacturer Marketing that Undercuts Less Costly and Therapeutically Equivalent Prescription Drugs

AB 265 would prevent drug manufacturers from steering consumers to higher priced brand name drugs and away from using similar and more affordable drugs. The bill prohibits manufacturers from offering discounts for name-brand drugs, if a less-expensive, therapeutically equivalent drug is available. While some consumers may pay less for their prescriptions at point-of-service with these discounts, the coupons shift costs to other payers like their own health plans or employers, driving up premiums. AB 265 would help to ensure that drug coupons do not guide consumers away from a drug that will work just as well and that has a lower co-pay than the brand name drug in question.

AB 315 (Wood): Licensure of Pharmacy Benefit Managers to Ensure Savings for Purchasers

AB 315 would license pharmacy benefit managers (PBMs) and require them to disclose information about drug acquisition costs and negotiated rates to purchasers. Pharmacy benefit managers are intermediaries between purchasers such as health plans and drug manufacturers. These intermediaries should negotiate lower drug costs through rebates, discounts, and other price concessions for consumers. PBMs (e.g. Express Scripts and CVS) play a big role in designing formularies and drug cost sharing, yet, unlike health plans or medical groups, they are not licensed or regulated entities. AB 315 would regulate PBMs and require disclosure of information on rebates and discounts to purchasers, which guarantees that consumers and purchasers benefit from savings that are reaped by PBMs.

AB 587 (Chiu): Statewide California Pharmaceutical Collaborative to Improve State Government's Effectiveness in Controlling Prescription Drug Costs

AB 587 would codify a California Pharmaceutical Collaborative for state purchasers of prescription drugs to encourage collaboration among state and local agencies to find ways to reduce costs and produce savings, while also improving outcomes. The State of California should be able to get a better deal on prescription drug prices given the large quantities of prescription drugs it purchases. The State of California pays for prescription drugs on behalf of almost 14 million Californians in Medi-Cal, over 1.3 million enrollees in Covered California, over 1 million through CalPERS, corrections, state veterans homes, state hospitals, and lastly, for care provided by local governments through county health programs and local correctional services.

HOSPITAL COSTS

SB 538 (Monning): Stopping Hospital Consolidation from Driving Hospital Costs

Large hospital chains are using their market power to inflate health care costs even more. Some hospital systems in Northern California and elsewhere use their oligopolistic position to impose unfair contract provisions that inflate costs and drive up our health care premiums. SB 538 (Monning) would prohibit hospitals from including anti-competitive provisions in their contracts with health plans and other purchasers. This would help lower the cost of health insurance as a result. Examples of anti-competitive provisions include take-it-or-leave-it clauses that require a health plan to take every hospital in a hospital system and that prohibit differential copays for out-of-network hospitals.

About Health Access California

Health Access California is the statewide health care consumer advocacy coalition, advocating for the goal of quality, affordable health care for all Californians. Health Access represents consumers in the legislature, at administrative and regulatory agencies, in the media, and in other public forums. For more information, please visit www.health-access.org.

¹ Consumer Reports, [Best Buy Drugs National Poll](#), March 2016.

² Journal of the American Medical Association, *Physicians and Pharmaceutical Industry: Is A Gift Ever Just a Gift?* 2000.