HEALTH ACCESS
California's Health Consumer Advocacy Coalition

FACT SHEET

California Bills Target Prescription Drug Costs

May 1, 2018 (updated)

Prices for prescription drugs keep climbing, driving up overall health care costs. The price of prescription drugs has become one of the primary cost drivers in our health care system, accounting 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. Escalating drug prices affect not only consumers' health but also their pocketbooks through higher premiums, co-pays, deductibles, and other out-of-pocket costs. When people face higher drug costs, they're more likely to skip doctor appointments, tests and procedures, and not fill their prescriptions.[i]

While progress was made in 2017, current bills - AB 315 (Wood), SB 790 (McGuire), AB 587(Chiu) and SB 1021 (Wiener) aimed at prescription costs are still pending. AB 315 would provide better information about price increases and spending associated with pharmacy benefit managers while SB 790 limits gifts that drug companies give to physicians to increase drug sales. SB 1021 will ensure that all Californians, including those living with chronic conditions, are able to afford life-saving prescription drugs by keeping co-pays affordable for consumers and maintaining standards for formulary tiers, helping consumers have access to the prescriptions they need.

SB 1021 (Wiener): Consumer Protections for Prescription Co-Pays and Formularies

SB 1021 (Wiener), sponsored by Health Access, will ensure consumers have access to vital medications by keeping existing consumer protections on prescription drug co-pays and formulary standards that were established in AB 339 (Gordon, Chapter 619 of 2015). These protections will sunset at the end of 2019 unless legislation is enacted to extend them.

Before AB 339's consumer protections were put in place, Californians with serious and chronic conditions like cancer, HIV/AIDS, multiple sclerosis (MS), and lupus were particularly vulnerable to higher out-of-pocket costs because high-cost specialty drugs were often placed on the highest tier of a drug formulary. Consumers often reached their out-of-pocket limit of as much as $6,000 in the first month of the plan year when filling just one of their prescriptions. AB 339 capped co-pays for a 30-day supply of a prescription drug at $250. SB 1021 will continue the copay cap of $250 for prescription drugs and maintains standards for formulary tiers by extending the sunset on these provisions, ensuring that consumers' drug co-pays will remain affordable. *Status: Senate Appropriations Committee.*

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

SB 790 would limit gifts drug manufacturers give to physicians. The bill would place a cap of $250 per year on meals and other gifts to a physician—although with some exceptions allowed. As part of their efforts to market prescription drugs, drug companies often pay for meals, entertainment and other gifts in order to encourage doctors to prescribe particular drugs. Consumers should not have to question whether or not their doctor was influenced by drug companies' gifts, even indirectly. Academic literature shows that even the smallest gifts, like a free meal or more lavish gifts like trips or honorariums can unduly influence a physician's prescribing decisions and professional behavior.[ii] *Status: Assembly Floor.*

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

AB 315 would require pharmacy benefit managers (PBMs) to register with the state and require them to disclose information about drug acquisition costs and negotiated rates to purchasers. PBMs (e.g. Express Scripts and CVS) 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 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. By regulating PBMs and requiring disclosure of information on rebates and discounts to purchasers, AB 315 will help ensure that consumers and purchasers benefit from savings that are reaped by PBMs. *Status: Senate Floor.*

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 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 it purchases 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. *Status: Inactive in Senate.*

2017 Bills Signed into Law to Target Prescription Drug Costs

SB 17 (Hernandez) Chapter 603 of 2017: Prescription Price Transparency and Public Disclosures

Co-sponsored by Health Access California, the California Labor Federation, and UNITE HERE, SB 17 increased transparency in drug pricing by requiring advance notice of price increases of more than 16% over two years to public and private purchasers and provide additional information about pricing and impacts on insurance premium rates and cost-sharing. Transparency and advance notice will help payers to better plan and negotiate for expected drug expenses.

AB 265 (Wood) Chapter 611 of 2017: Preventing Manufacturer Marketing that Undercuts Less Costly and Therapeutically Equivalent Prescription Drugs

AB 265 prevents drug manufacturers from steering consumers to higher priced brand name drugs and away from using similar and more affordable drugs. The law 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 helps 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.

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[i] Consumer Reports, Best Buy Drugs National Poll, March 2016.

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