

Keeping Prescription Drugs Affordable

AB 948 (Berman)

For the last 6 years, Californians have been protected from huge medication price spikes with a \$250 co-pay cap for prescription drugs, but that protection is set to expire without state action. AB 948 (Berman) will make permanent the existing \$250 co-pay cap for a 30-day supply of a prescription drug, ensuring consumers can count on their monthly prescription drug costs staying within reach. The bill also extends other key consumer protection standards for the tiering of prescription drugs in a health plan's formulary.

Co-Pay Caps on Prescription Drugs Work

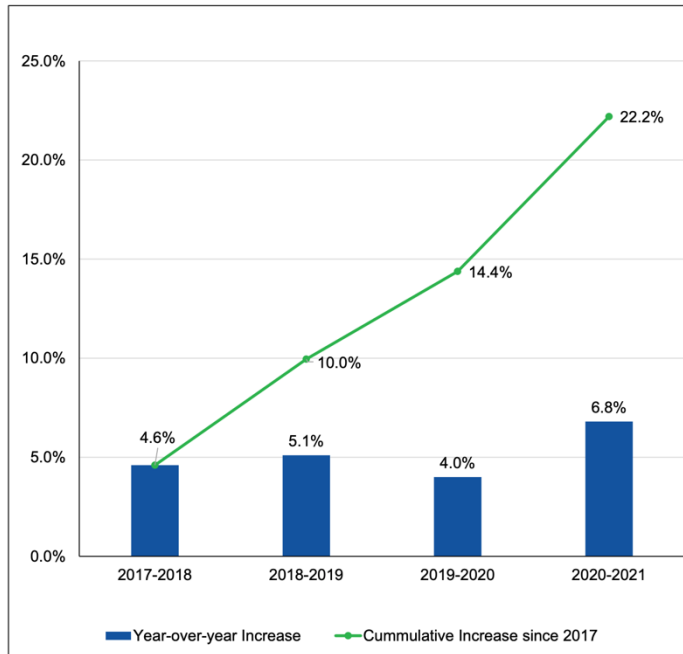
Before the \$250 cost-sharing cap for a 30-day supply of a prescription drug was signed into law with AB 339 (Gordon, Chapter 619 of 2015), Californians with serious and chronic conditions like cancer, HIV/AIDS, multiple sclerosis (MS) and lupus were particularly vulnerable to high out-of-pocket costs because more expensive specialty drugs were often put on the highest tier of the formulary, costing thousands of dollars. Just filling one prescription in January meant consumers often reached their annual out-of-pocket limit of \$6,000 for that single prescription in one month. Since 2015, these Californians have had the peace of mind knowing that they will not pay more than \$250/month on their critical medications.

The Affordable Care Act limited annual out-of-pocket costs for all covered health benefits, including for prescriptions, doctors, and hospitals. But the annual out of pocket limit started at \$6,000 in 2015. Since then, cost-sharing has only continued to grow with the maximum out-of-pocket limit in 2023 at \$8,750 for Silver plans. That means, if the \$250 co-pay cap sunsets, a consumer purchasing a high-cost drug could be charged up to that limit of \$8,750 up front for a single 30-day prescription.

Consumer Protections Needed Now More Than Ever as Prescription Drug Costs Rise

Prescription drug costs have risen significantly since the passing of the \$250 co-pay cap, making this consumer protection even more critical to protect consumers from high out-of-pocket costs at the pharmacy counter. In California, prescription drug costs have increased 22.2% over the last five years, or about 5% each year.ⁱ To give an example, prices for MS medications have increased nearly 400% since 2004, and 60% in the last five years alone.ⁱⁱ

Five-Year Trend Analysis: Prescription Drug Cost Increase Trend



Source: Prescription Drug Cost Transparency Report: Measurement Year 2021 (Department of Managed Health Care)

For context on how much high-cost prescription drugs cost, the median annual price of the brand-name MS medications is close to \$94,000 without cost-sharing.ⁱⁱⁱ

Without the cost-sharing cap, more of these cost increases will be shifted to the consumer to pay. When the Legislature passed SB 1021 (Wiener, 2018) to extend the 2020 sunset on these consumer protections, research showed that that if the law had sunset in 2020, there would be an increase of \$45 million in enrollee costs^{iv}. People who face higher cost-sharing for a prescription drug are less likely to maintain meaningful levels of adherence to prescription drugs prescribed by their doctor. For example, 40% of respondents to the National MS

Society survey said they were altering the use of their medication, with some skipping or delaying treatment due to rising costs.^v With prescription drug costs rising, more and more consumers' prescription drugs will hit the \$250 cost-sharing cap, increasing the number of Californians who will be counting on this consumer protection to keep costs lower.

Standards for Each Tier of Drug Formulary Help Consumers Choose the Plan That Is Best for Them

AB 948 also makes permanent standardized tiering definitions for drug formularies in coverage offered to individual consumers and employees of small businesses. Formularies are a list that health plans use to show the consumer which medications they offer. These lists are grouped into categories called tiers, with less expensive medications placed on lower tiers, and more expensive medications placed on the highest tiers. Health plans encourage doctors to prescribe lower-cost alternatives, found on lower tiers, to help keep costs down. For example, substituting generic drugs for brand name medication helps reduce costs, as does trying out lower cost brand name drug that is in the same therapeutic class as a higher cost drug.



Prescription Drugs Tiers	
Tier	Drugs Included
1	Low-cost preferred brand name drugs, and most generic drugs.
2	Preferred brand name drugs, non-preferred generic drugs, and drugs recommended by health plan's pharmacy and therapeutics committee based on safety, efficacy, and cost.
3	Non-preferred brand name drugs or drugs recommended by health plan's pharmacy and therapeutics committee based on safety, efficacy, and cost.
4	High-cost drugs, including: <ul style="list-style-type: none"> • Biologics • Drugs the FDA or manufacturer require be distributed through a specialty pharmacy • Drugs that require enrollee to have special training or clinical monitoring for self-administration Drugs that cost the health plan/insurer more than \$600, after rebates.

For consumers buying coverage as individuals, the Covered California Standard Benefit Design allows consumers to compare health plans, the benefits covered and their level of cost-sharing for prescription drugs.

Without legislative action, the co-pay cap and standards for tiers in drug formularies will sunset at the end of 2023.

Conclusion

AB 948 will make the \$250 cost-sharing cap for a 30-day supply of a prescription drug and tiering standards permanent, helping keep prescription drugs affordable, ensuring that consumers can access the medication that they need and focus on their health, not whether they can afford their prescription.

i [Prescription Drug Cost Transparency Report: Measurement Year 2021 \(Department of Managed Health Care\)](#)
 ii [Make MS Medication Access Affordable \(National Multiple Sclerosis Society\)](#)
 iii [Affordability and Access to MS Medications \(National Multiple Sclerosis Society\)](#)
 iv [Analysis of California Senate Bill 1021 Prescription Drugs \(California Health Benefit Review Program\)](#)
 v [Make MS Medications Accessible \(National MS Society\)](#)