



## ***AB 2984: Share the Rx Rebate Savings and Make Prescription Medications Affordable***

### **The Problem:**

Sadly, an estimated more than 30,000 California patients arrive at pharmacy counters each day, far too many of them cannot afford to pay for the prescription medications they and their families need. Particularly hard hit are the patients with high deductible and cost sharing plans whose out-of-pocket costs at the pharmacy counter can end up in the thousands of dollars per month. As a result, nearly 30 percent of patients do not take their medications as directed due to the high cost, resulting in many patients needlessly suffering from treatable conditions such as chronic diseases and mental illness.

**Reforming the unfair pharmacy rebate system could ease this burden.** Currently, pharmacy benefit managers (PBMs) - who contract with health insurance plans to manage their prescription drug programs - negotiate with drug manufacturers for rebates on the cost of their medications in return for priority placement of those medications on the health plan's drug formulary. For example, if the list price of a medication is \$300, the PBM may negotiate a \$100 rebate every time the prescription is filled. Unfortunately, unlike traditional consumer rebates, patients do not receive any part of that \$100 rebate. Instead, the rebate is shared between the PBM and the insurance company.

In 2018 alone, manufacturers provided \$166 billion in rebates and discounts to supply chain middlemen. And, a recent report from the Department of Managed Healthcare found health plans in California received over \$1 billion in rebates from manufacturers in 2018, up over 14% from 2017. That's \$1 billion that could and should benefit consumers but is not.

Making matters worse, patients are often required to pay their share of the medication based on the original list price of the medication, rather than the negotiated price, meaning patients could actually pay MORE for their medicine than their insurance company did.

This problem is currently being exacerbated by the COVID-19 pandemic. Patients, such as those with chronic illness, who cannot take their medications due to cost are at a very real risk of needlessly getting sicker and becoming more susceptible to a severe case of COVID-19. In addition to needing to protect our most vulnerable patients from the virus, now, more than ever, hospitals are in no position to be taking on patients who could be made well if they had affordable access to the medications they need.

## **The Solution: AB 2984**

**AB 2984 (Daly)** would ensure that negotiated rebates on prescription medications are ALWAYS shared with patients, lowering their out of pocket costs at the pharmacy.

### **Key policy provision:**

- **Provides financial relief for patients at the pharmacy counter by requiring patients to receive at least 90% of any negotiated rebate or discount to offset the cost of their prescription medications.**

Insurance companies often claim that sharing rebates with patients will require them to increase the price of health care premiums yet a 2019 Milliman study titled “Can Voluntary POS Rebates Work for Medicare Part D?” found that, even if health insurance companies were required to share all the negotiated rebates with patients, premiums would increase at most 1%, while patients could save up to \$800 each year on their medicine costs.

AB 2984 will fix the unfair drug rebate system and sharing these savings with patients will give consumers immediate relief and help them better afford the medicines they desperately need.