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March 25, 2020

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Executive Director
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The Honorable Tom Daly
State Capitol
P.O. Box 942849
Sacramento, CA 94249

RE: AB 2984 – Prescription Drug Prices

Dear Assemblymember Daly,

The California Access Coalition (CAC) is proud to sponsor **Assembly Bill 2984, Prescription Drug Prices**, which would lower patients' out of pocket costs for prescription drugs at the pharmacy counter.

In recent years, the Legislature has successfully passed legislation to provide protections for many patients, such as co-pay caps, yet patients, especially those with high deductible health insurance plans, are still suffering with high out of pocket costs. Many Californians arrive at the pharmacy counter and find that they owe hundreds, or even thousands of dollars despite the fact that they have health insurance. And when patients cannot afford their medicines, they often will walk away from the pharmacy without their medicines, putting them at risk for health complications and even hospitalization.

This problem could be alleviated by making the drug supply system fairer to patients. Under the current system, most patients with high deductible health plans, and with plans that require coinsurance, pay an out of pocket amount that is based from the list price of a medicine. However, pharmacy benefit managers (PBMs) and insurance companies pay a *negotiated* price for a medicine, a lower price due to the rebates and discounts they collect from drug makers. Unfortunately, many patients pay for their share of a medicine based on the list price, not the negotiated price that the PBM or insurer pays. Patients should not be paying off of a higher price for a medicine than a corporation.

The current rebate system violates basic consumer fairness.

The California Access Coalition is committed to advocating for patient-centered policies that help eliminate barriers that keep Californians from accessing life-saving medications. Today's health care system faces a broad range of challenges, often leaving patients struggling to manage their care. Right now, consumers are being forced to pay more out of pocket for their medicines due to an increase in deductibles and the use of coinsurance. Rebates on prescription drugs should be used to decrease the cost burden for prescription drugs when patients are in the expensive deductible phase.

We support AB 2984's intent to require that 90 percent of the rebates and discounts provided by pharmaceutical manufacturers be passed on to patients at the pharmacy counter.

In 2018, manufacturers provided \$166 billion¹ in rebates and discounts to supply chain middlemen. The money is already in the system to significantly alleviate the barriers patients face when picking up their prescriptions- particularly those with high deductible plans.

We know the health insurance industry will suggest that a distribution of the rebate savings to patients would increase the cost of premiums, we suggest that's not the case.

A February 2019 Millimen study titled, "Can Voluntary POS Rebates Work for Medicare Part D?," found that that even if health insurance companies were required to share *100 percent* of the negotiated rebates with patients, premiums would increase at most 1 percent, while patients could save up to \$800 each year on their medicine costs.

AB 2984 provides the Legislature with a vehicle to fix this broken part of the system to ensure that patients in high deductible health insurance plans, such as the bronze plans sold by Covered California, are provided the same protections as those who are enrolled in Silver and Gold plans with co-pay caps to protect their out of pocket exposure.

Thank you for agreeing to author this important legislation. Should you have any questions, please do not hesitate to contact me at (916) 557-1166 x400.

Sincerely,



Le Ondra Clark Harvey, Ph.D.
Executive Director

¹ <https://drugchannelsinstitute.com/files/2019-PharmacyPBM-DCI-Overview.pdf>