



## Assemblymember Tom Daly

69<sup>th</sup> Assembly District

### AB 2984 – Prescription Drug Affordability

#### Summary

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This bill lowers consumers' out of pocket costs for prescription drugs by requiring a certain percentage of manufacturer rebates to be used to lower costs for consumers.

#### Background

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Many consumers are required to pay more and more of a share of the cost of their prescription drugs. The cost to consumers is often much higher than the cost to their insurance company. Health insurance companies and pharmacy benefit managers (PBMs) receive payments from drug manufacturers to decrease the cost of the medicine but do not share these savings with consumers.

In 2018, the Department of Managed Health Care reported that health plans received \$1 billion in rebates to lower the price of drugs. Health plans get these rebate dollars but, nothing requires insurers to make sure patients benefit. 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. In fact, the use of deductibles for prescription drugs has increased 126% from 2012 to 2017. Rebates on prescription drugs should be used to decrease the cost burden for prescription drugs when patients are in the expensive deductible phase.

#### Problem

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When consumers are facing their deductible and they go to the hospital or doctor, the patient gets to pay the in-network rate that was negotiated by the health insurer. That is not the case for prescription drugs. When a consumer pays for a drug in the deductible phase or pays coinsurance, the amount

they must pay is based on the full price of the drug – even if their health insurer and PBM are only paying a lower amount they negotiated with the manufacturer.

For example, for a drug with a \$100 list price, a health insurer or PBM may negotiate a rebate of \$40, for a net cost to them of \$60. But a consumer still in their deductible pays the full \$100. A consumer with a 25% coinsurance pays \$25 for a medicine with a \$100 list price (.25X100), rather than the \$15 (.25X60) they would pay if the coinsurance was based off the rebated amount being paid by the health insurer.

#### Solution

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Sharing these savings will immediately lower prescription drug costs for many patients, helping them better access the medicines they desperately need.

Requiring those that receive rebates – health insurers and PBMs – to pass on a sizeable percentage (90%) of rebates to the consumers will provide consumers immediate monetary relief.

#### Support

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California Access Coalition (sponsor)

#### Oppose

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None received.

#### For More Information

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