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[DATE]

The Honorable Chris Holden, Chair

Assembly Committee on Appropriations

1021 O Street, Suite 8220

Sacramento, CA 95814

#### RE: SUPPORT: SB 873 – Making Rebates Make Sense

Dear Chair Holden,

On behalf of XX, I am writing to express our strong support for **SB 873, Making Rebates Make Sense,** a much-needed bill that will lower patients’ out-of-pocket costs for prescription drugs. As an organization working daily to improve health care access for patients throughout the state, we believe that SB 873 by Senator Steven Bradford can immediately help Californians afford their medications and improve health outcomes by requiring health insurance companies and their Pharmacy Benefit Managers (PBMs) to pass along at least 90% of negotiated rebates to patients at the pharmacy counter.

Pharmacy middlemen, or PBMs, determine the formulary of drugs covered by health insurers. Pharmaceutical manufacturers pay rebates to insurers and their PBMs – 40% of the medicine’s list price on average. PBMs are then supposed to pass savings on to patients, but [research by the](https://oig.hhs.gov/oei/reports/OEI-BL-21-00200.asp) [Office of the Inspector General shows that’s not happening](https://oig.hhs.gov/oei/reports/OEI-BL-21-00200.asp). According to the report, “The large rebates offered by manufacturers… benefit plan sponsors but provide little relief to beneficiaries who received the drugs.”

Although rebates were never intended to flow to PBMs, in 2021, these [rebates totaled $1.7 billion](https://www.dmhc.ca.gov/Portals/0/Docs/DO/SB172021Report.pdf) in California alone, up from $1.4 billion in 2020 and $1.2 billion in 2019.

The current, broken rebate system only benefits PBMs and insurers and does nothing to benefit patients. In fact, patients often end up paying more for the prescription than the PBM and insurer even paid for it. Due to high costs at the pharmacy counter, thousands of Californians struggle to have their prescription medications filled to treat acute or chronic conditions. Lawmakers must stand with patients and shed light on the fraudulent practices that leave so many struggling to afford and maintain their medications.

Sharing rebates with patients at the point-of-sale will not only reduce out-of-pocket costs for patients, but it will also improve medication adherence rates – as demonstrated by [UnitedHealth’s OptumRx](https://www.unitedhealthgroup.com/newsroom/2019/2019-03-12-prescription-drug-program-expands-to-benefit-consumers-point-of-sale.html) [practice](https://www.unitedhealthgroup.com/newsroom/2019/2019-03-12-prescription-drug-program-expands-to-benefit-consumers-point-of-sale.html) of sharing rebates at the pharmacy counter, which enabled patients to save an average of

$130 per eligible prescription and improved adherence rates between 4-16%.

SB 873 should be approved immediately by the State Legislature and signed by Governor Newsom to provide immediate relief for vulnerable Californians and reform a fraudulent system that only benefits health care entities rather than patients.

Sincerely,

NAME

TITLE

ORG

CC: Senator Steven Bradford

Members, Assembly Committee on Appropriations