

# PATIENTS BEFORE PROFITS

## REFORMING RX REBATES

A CAMPAIGN BY  CALIFORNIA ACCESS COALITION  
ADVOCATING FOR ACCESS TO BEHAVIORAL HEALTH TREATMENT

### AB 2942 (Daly): Prescription Drug Affordability

#### Situation Analysis

Health insurance companies and pharmacy benefit managers (PBMs) negotiate significant rebates and discounts when purchasing medications from drug manufacturers. The price they pay after rebates is significantly lower than the “list price” of the medicine – the price a patient with a commercial health plan pays at the pharmacy counter. On average, pharmaceutical manufacturers rebate 40% of a medicine’s list price. Between 2019 and 2020, these rebates totaled \$1.4 billion in California alone.<sup>1</sup>



<b>List price:</b>	<b>\$100</b>
- negotiated rebates:	\$40
<b>What health insurers or PBMs pay:</b>	<b>\$60</b>
<b>What patients pay:</b>	<b>\$100</b>

*A patient still within their deductible pays the \$100 list price at the counter, not the discounted \$60 their insurance or PBM paid for the exact same medication. With a 25% coinsurance, a patient would pay \$25, rather than the \$15 they would pay if the coinsurance was based off the discounted \$60.*

#### The Current Rebate System

Because health insurance companies and PBMs don’t share these savings with patients, what a patient pays is often much higher than what their insurance company paid for the same medicine. The high cost at the pharmacy counter has led to 30% of Americans saying they haven’t taken their medications as directed,<sup>2</sup> resulting in needless suffering for many.

This situation is unique to health insurance coverage of prescription medicines, and it penalizes patients who need medicines the most. Right now, patients receive the benefit of negotiated discounts when sharing in costs for doctor or hospital visits, but they don’t always receive the same benefits for prescriptions.

#### The Solution: AB 2942

AB 2942 will reform the current rebate structure to benefit the patient, not corporations:

- **Will** make prescriptions more affordable by requiring patients receive at least 90% of rebates.
- **Will not** drastically increase premiums – The California Health Benefits Review Program (CHBRP) analysis of the legislation found that California patients would see \$70.8 million in savings at the pharmacy counter if AB 2942 is passed into law, leading to only a 0.3% average increase for premiums.

<sup>1</sup> Department of Managed Health Care, Prescription Drug Cost Transparency Report, 2020. <https://dmhc.ca.gov/portals/0/Docs/DO/SB17-2020ReportAccessible.pdf>

<sup>2</sup> KFF Health Tracking Poll (conducted February 14-24, 2019)