

Patients Before Profits: Making Rebates Make Sense

SB 873: Prescription Drugs: Cost Sharing



THE FACTS

Health insurance companies and pharmacy benefit managers (PBMs) want to keep California's prescription drug rebate system confusing for patients. They say that any change to the system will cause premiums to skyrocket while doing nothing to rein in prescription drug prices - **that's false.**

MYTH

SB 873 will increase premiums for all by \$200 million.

Claims that premiums will drastically rise are misleading. While premiums may slightly increase by 0.3% or \$200 million, **patients will save nearly \$71,000,000 yearly** according to a January 2022 California Health Benefits & Review Program (CHBRP) analysis of a similar policy measure.

The CHBRP report even found that *"the average retail allowed cost of brand and specialty drugs, prior to rebates, was estimated to be \$992... after rebates [it] was \$675..."* That is a \$318 reduction in cost that would directly benefit patients.

MYTH

SB 873 will benefit pharmaceutical companies by inducing the sale of expensive brand-name drugs.

Don't let the smoke and mirrors fool you, SB 873 will benefit Californians. By negotiating between manufacturers and health insurers, PBMs play a significant role in determining rebates and shaping patients' access to medicines.

Because they often receive rebates that are calculated as a percentage of the manufacturer's list price, **PBMs receive a larger rebate for expensive drugs.** As a result, Californians who have a high-deductible plan or have coinsurance based on a medicine's list price incur higher out-of-pocket costs.

MYTH

It's impossible to implement SB 873 without weighty ramifications on employer and employee costs.

Health plans and PBMs saying they can't do this is false. Some national PBMs (Caremark, OptumRx, Express Scripts) are sharing rebates at the point-of-sale to lower out-of-pocket costs for patients, meaning health insurers and pharmacy middlemen in California can do it too.

MYTH

A majority of Californians will not benefit from SB 873, yet premiums will increase for all patients.

This bill will benefit 800,000+ Californians and only increase premiums by 0.3%, according to CHBRP. Following West Virginia's implementation of a similar policy, rate filings from compliant health plans have shown **no substantial increases in premiums.** The sickest patients drive expenditures, so decreasing out-of-pocket costs and improving adherence for those patients will benefit the healthcare system as a whole.

MYTH

SB 873 is only backed by "Big Pharma."

Not only is this false, but it's also offensive to the more than 50 organizations in support of this measure. Patient advocacy groups, business leaders, and those representing marginalized communities support SB 873 because it will help patients better afford, and adhere to, their lifesaving and life sustaining medications.

This bill is **only opposed by health plans and their pharmacy middlemen.** Now, you do the math.

"... Reducing or eliminating rebates could result in lower list prices and reduced out-of-pocket expenditures..."

The Association Between Drug Rebates and List Prices
USC Schaeffer Center for Health Policy & Economics

"The trade off is worth it in terms of the slight increase in premiums but the significant value to consumers."

John Prince, CEO
OptumRx



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