



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

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Reforming California’s Prescription Drug Rebate System Will Benefit Patients

Senate Bill 873 would lower patients’ out-of-pocket costs for medications by holding health insurers and pharmacy middlemen accountable

(SACRAMENTO, CA) – Today, the [California Access Coalition](#), the [Diabetes Patient Advocacy Coalition](#), and the [Patient Pocket Protector Coalition](#) held a press conference at the California State Capitol to announce broad support for a measure to lower the cost of Californians’ prescription medications. Authored by Senator Steven Bradford (D-Gardena), [Senate Bill 873](#) will reform the state’s broken prescription drug rebate system by requiring health insurance companies and their pharmacy middlemen, known as Pharmacy Benefit Managers (PBMs), to share 90% of negotiated rebates with patients at the pharmacy counter.

“In virtually every other scenario, consumers benefit from negotiated rebates, so why isn’t this the case for prescription medications?” said Senator Bradford. “Rather than sharing these discounts with patients through lower out-of-pocket costs, health plans and PBMs take the savings to line their own pockets. We must reform this system so patients benefit, not corporations.”

Health insurance companies and PBMs use rebates as leverage in determining where a prescription medication is placed on a health plan’s formulary. The price these entities pay after rebates is often significantly lower than the “list price” of the medicine – the price a patient pays at the pharmacy counter. On average, health plans and PBMs negotiate 40% of a medicine’s list price through rebates. However, a [2021 IQVIA report](#) found that the average rebate in the diabetes class was 60%. Dozens of states are debating similar policies and in 2021, West Virginia signed into law [House Bill 2263](#), which requires 100% of negotiated rebates to be shared with patients at the point-of-sale.

“While insurance companies and PBMs falsely note that rebates are a tool to keep premiums down, we know from recent rate filings in West Virginia that is not the case,” said Le Ondra Clark Harvey, PhD, Executive Director, California Access Coalition, one of the bill’s co-sponsors. “Studies show that sharing rebates with patients will not lead to significant premium increases, yet patients would save hundreds of dollars, helping them maintain treatment schedules and leading to better health outcomes and reduced

health care costs overall. We are proud to stand with more than 40 organizations in support of this much-needed legislation.”

The lack of transparency within the rebate system means there is no way to know how much, if any, of the saved money goes back to patient care. In 2021 alone, PBMs in the U.S. [negotiated \\$236 billion in rebates](#). In California, [a report from the Department of Managed Health Care](#) showed that rebates totaled \$1.7 billion in 2021, up more than 60% from 2017. Making matters worse, three of the largest PBMs (CVS, Express Scripts, and Optum) now account for more than 80% of the U.S. drug market. A [2020 white paper](#) reported that rising rebates demanded by PBMs are associated with rising list prices for prescription drugs.

“We know all too well that patients are facing rising costs at the pharmacy counter. For people who rely on insulin or other lifesaving and life-sustaining medications, prescription affordability is literally a matter of life or death,” said Erin Callahan, Chief Operating Officer, Diabetes Patient Advocacy Coalition, a co-sponsor of the measure. “Through SB 873, we can decrease barriers to treatment access and simultaneously help to curb short- and long-term complications of chronic conditions while lowering the cost of comorbidities, which effectively saves patients – and the state – money.”

The California Health Benefits Review Program (CHBRP) analysis of a similar policy measure found that California patients would see \$70.8 million in savings at the pharmacy counter, leading to only a 0.3% average increase for premiums. In addition, the analysis found that it is easily possible for pharmacy software to be updated to calculate new cost-sharing amounts and net allowed retail costs after rebates to allow for compliance with SB 873.

With passage of SB 873, commercial health insurance plans regulated by the state will be required to pass on at least 90% of rebates to patients at the point-of-sale, making their prescriptions more affordable now and helping them stay healthy in the future.

SB 873 is set to be heard in the Senate Health Committee on April 19, 2023.

About California Access Coalition

Making Rebates Make Sense is a campaign by the California Access Coalition (CAC). CAC is a network of local and state behavioral health organizations, patient advocacy groups, and pharmaceutical companies that advocate to eliminate barriers that keep Californians from accessing medication and behavioral health treatment. Follow CAC on [Twitter](#) and learn more by visiting www.californiaaccesscoalition.org.