California Health Benefits Review Program

CA Approaches to Tackling Prescription Drug Costs

2019 SUPLN Annual Meeting – AcademyHealth

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Director
What is CHBRP (www.chbrp.org)?

- Independent, analytic resource (in statute) supporting the Legislature, grounded in objective evidence-based policy analysis since 2003.
california for beginners

also palm trees and earthquakes and beaches and freeways and missions and in-n-out! everywhere! duuuuude!
• **Health spending** in **California** totaled $292 billion, or $7,549 per person. (CA Health Almanac, CHCF 2017)

• At about 14% of total spending, drug spending represents about $41 billion in spending.
CALIFORNIA: POLITICAL CLIMATE

- Health Care is a very high priority topic in California, based on polling (#1 in some polling).
- Full “embrace” of the ACA by CA Political Leadership.
- Democrats have supermajority in Legislature, and control Exec Branch.
4 KEY STATE EFFORTS TO ADDRESS RX COSTS

• SB 17 – Prescription drug costs (plans and manufacturers)
• AB 315 – Pharmacy benefit management (PBM s)
• Executive Order – Medi-Cal drug carve-out (purchasers)
• AB 824 – Preserving access to affordable drugs (manufacturers)
SB 17 – HEALTH CARE: RX COSTS

• Signed October 2017
• Requires plans that report rate information to report:
  – The 25 most frequently prescribed drugs
  – The 25 most costly drugs by total annual plan spending
  – The 25 drugs with the highest year-over-year increase in total annual plan spending
• Requires manufacturers to notify purchasers of a large WAC ($) increase, and provide justification
SB 17 – HEALTH CARE: RX COSTS

• Transparency report from plan findings (Measurement Year 2017):
  – Specialty drug spending accounted for more than half of total annual prescription drug spend
  – Plans paid more than 90% of the cost for the Top 25 Most Costly Drugs
  – Three year median percentage increase in WAC was 25.8%
• WAC increase notifications
  – Over 1,000 drugs during the current quarter and previous two calendar years
AB 315 - PHARMACY BENEFIT MANAGEMENT

- Signed September 2018
- Removes the gag clause, and compels notification of a retail price lower than applicable cost-sharing
- Places requirements on PBM communication with pharmacies about contracts
- Requires registration with the Department of Managed Health Care (DMHC)
- Establishes a taskforce to look at future disclosures
EXECUTIVE ORDER N-01-19: MEDI-CAL DRUG CARVE-OUT

• Move pharmacy benefit in Medi-Cal (Medicaid) to Fee for Service by January 2021 (Medi-Cal Rx)

• Department of General Services to prioritize drugs for bulk purchasing, and implement bulk purchasing arrangements for high-priority drugs

• DHCS to find ways for private purchasers to benefit from bulk purchasing arrangements
EXECUTIVE ORDER N-01-19: MEDI-CAL DRUG CARVE-OUT

- The Governor’s office has projected millions in savings ($151 million in General Fund, total of $440 million per year)
- Plans have voiced concern about 340B discounts
- One report by a plan associated showed that of 13 states who carved out the benefit, 10 carved it back in
RECENT LEGISLATIVE REPORT ON EXECUTIVE ORDER

• Carve Out of the Pharmacy Services Benefit Likely to Result in Net Savings to the State—Potentially be in the hundreds of millions of dollars annually.

• Carve Out Would Significantly Impact Major Medi-Cal Stakeholders. The carve out would have major and disparate impacts on key Medi-Cal stakeholders, including enrollees, pharmacies, health care providers, and Medi-Cal managed care plans.
AB 824 – PRESERVING ACCESS TO AFFORDABLE DRUGS

• Signed in October 2019
• Deems “pay-for-delay” arrangements to be anticompetitive
• First in the nation bill
Questions? Want more info?
www.chbrp.org

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