

California Health Benefits Review Program

CA Approaches to Tackling Prescription Drug Costs

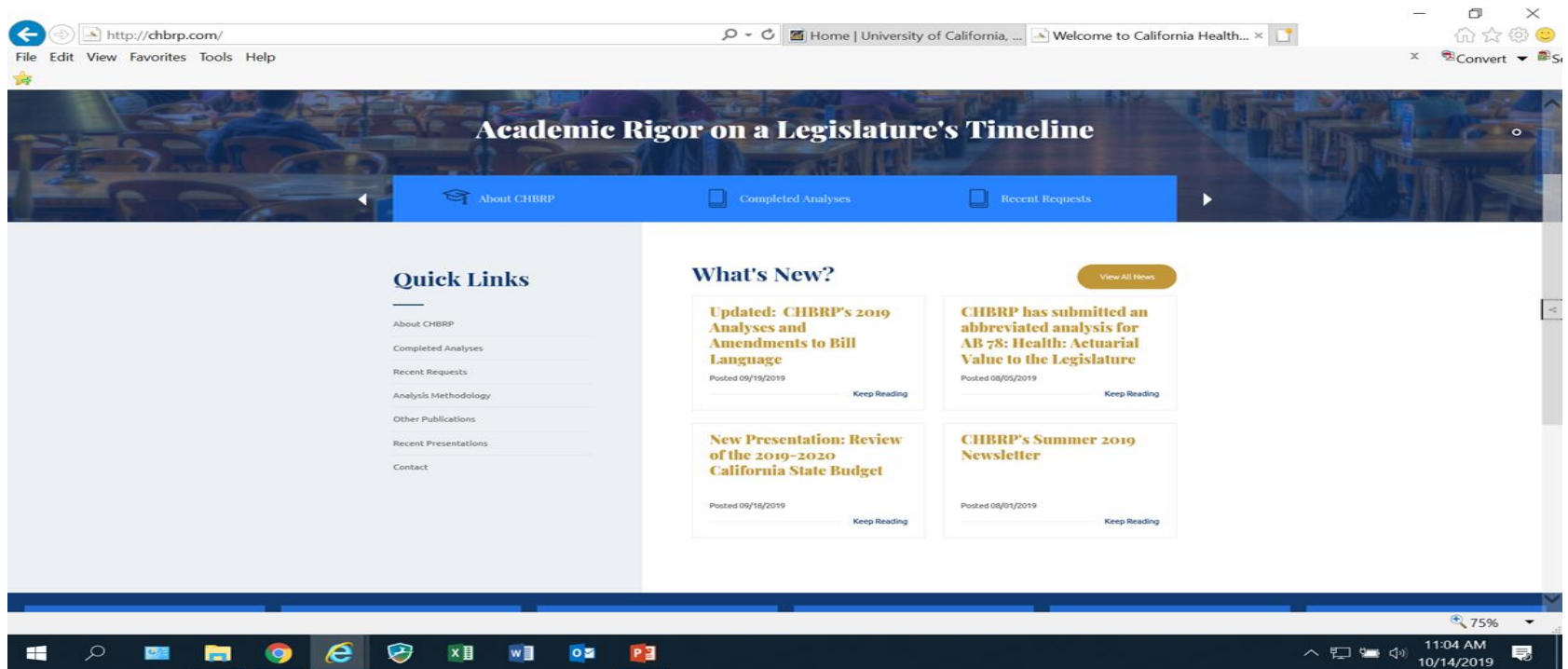
2019 SUPLN Annual Meeting – AcademyHealth

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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! duuuude!



CONTEXT: TOTAL CA HEALTH SPENDING

- **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 (PBMs)
- 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?
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