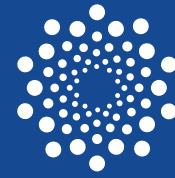


# Get the Facts

## on Big Pharma-Backed SB 1361



California Association of  
**Health Plans**

SB 1361 has been disguised as prescription drug cost-saving legislation that will benefit patients, but in reality, *SB 1361 is a Big Pharma-sponsored bill that will increase premiums for all while doing nothing to rein in prescription drug prices.* In fact, the bill actually clears the way for Big Pharma to continue increasing the prices of expensive brand-name drugs with no accountability.

### Myth

SB 1361 will reform the current system to benefit the patient.

### Fact

SB 1361 is disguised to help patients but will actually benefit pharmaceutical companies by inducing the sale of expensive brand-name drugs instead of lower cost alternatives like generics — ultimately increasing health care premiums for all payers by over \$200 Million.

### Myth

Because there is no transparency in the system, patients have no idea how much, if any, drug manufacturer rebate money goes to lowering health insurance premiums.

### Fact

The 2020 Department of Managed Health Care (DMHC) Drug Cost Transparency Report clearly shows that health plans used drug manufacturer rebates to help mitigate the overall impact of high drug prices by reducing the total health plan premium by 1.8%. The rebates received come nowhere near to offsetting the \$10.1 billion health plans paid in drug costs in 2020 due to the ever-increasing prices set by drug manufacturers.

*According to CHBRP, drug manufacturer rebates are mostly used for higher cost brand-name prescription drugs in competitive therapeutic classes where there are interchangeable products [such as lower cost alternatives like generics] and aim to incentivize PBM's and health insurers to include the pharmaceutical manufacturer's products on their formularies and to obtain preferred tier placement.*

## Myth

The cost savings proposed by SB 1361 will immediately lower prescription drug costs for many patients, helping them to better access the medicines they desperately need.

SB 1361 is necessary because coinsurance and deductibles are based on a drug's sticker price.

## Fact

More than 96% of Californians enrolled in health plans will not benefit from SB 1361, yet their premiums will increase by \$200 million. The high-cost brand-name prescription drugs subject to SB 1361 rebates have lower cost interchangeable alternatives. Instead of improving access to the medicines patients desperately need, SB 1361 only clears the way for Big Pharma to continue increasing the prices of expensive brand-name drugs with no accountability.

Health plans negotiate lower drug prices with manufacturers and base their coinsurance and deductibles on the negotiated price.

## Myth

Rebates and discounts paid to health providers force Big Pharma to raise drug prices.

## Fact

According to a U.S. House Oversight Committee investigation, "net prices — the prices manufacturers collect after accounting for rebates, price concessions, and other discounts — of nearly all of the drugs in the investigation increased year over year" and "net prices for all the drugs examined are significantly higher today." The committee noted that the rebate and pricing data "undermines industry claims that price increases are primarily due to increasing rebates and discounts paid to pharmacy benefit managers (PBMs)."<sup>1</sup>

## Myth

Drug rebates increase health plan profits.

## Fact

Health plan profits decreased in both 2019 and 2020. In 2020, profits accounted for only 2.6% of the premium dollar. Big Pharma's profits on the other hand, are regularly greater than 20%, significantly larger than those of tightly regulated and transparent health plans. SB 1361 will increase Big Pharma's profits while costing Californians \$200 million in higher premiums.

The Problem is the Price.  
Vote No on SB 1361

<sup>1</sup> <https://oversight.house.gov/sites/democrats.oversight.house.gov/files/DRUG%20PRICING%20REPORT%20WITH%20APPENDIX%20v3.pdf>