

Governor Schwarzenegger Signs Legislation to Make Prescription Drugs More Affordable for Uninsured Californians

Following through on his long-standing commitment to bring down the cost of prescription drugs for low-income Californians, Governor Arnold Schwarzenegger today signed AB 2911 by Assembly Speaker Fabian Núñez (D-Los Angeles) and Senate President Pro Tem Don Perata (D-Oakland).

“Lowering prescription drug costs is a significant part of making health care more affordable for all Californians,” said Governor Schwarzenegger. “This legislation will provide meaningful discounts to uninsured Californians who may risk their own health by not taking life-saving medication simply because it’s too expensive.”

According to the Kaiser Family Foundation, since 1994, pharmaceutical drug costs have increased an average of 8.3 percent every year. Studies show that individuals without insurance pay between 40 to 60 percent more for their drugs than government or private health insurance providers.

Specifically, AB 2911 will:

- Provide access to up to 40 percent savings on brand name and up to 60 percent savings on generic prescription drugs to:
 - Uninsured Californians with incomes below 300 percent of the federal poverty level (\$60,000 for a family of four).
 - Californians with significant un-reimbursed medical expenses and incomes that fall below the state median family income (\$68,310 for a family of four).
 - Eligible seniors whose drugs are not covered by Medicare, upon federal approval.
- Protect continuity of care for Medi-Cal beneficiaries.
- Make signing up for the program as easy as possible by having a single point of entry, a simple application form and enrollment available at local pharmacies, doctors’ offices, clinics, the Internet, and a call center. There will be a modest \$10 annual application fee to participate in the program.
- Leverage the purchasing power of uninsured low-income Californians to negotiate discounts that will be passed on to consumers. Negotiate discounts on brand name drugs from manufacturers, and discounts on brand name and generic prescription drugs from pharmacies.
- Include necessary safeguards to assure accurate pricing.
- Consider three different benchmarks in negotiations with drug manufacturers: the Medicaid Best Price, the lowest price offered to private payers, and the average manufacturers’ price minus 15 percent.
- For the first three years, gives drug manufacturers the ability to voluntarily negotiate discounts. If after August 1, 2010, manufacturers do not provide discounts at the benchmark levels, the state may, upon federal approval, tie participation in Medi-Cal with participation in this program as long as imposing this linkage does not disrupt care of California’s Medi-Cal enrollees and budget neutrality is maintained.

The Governor has been consistent that a voluntary approach can work and he looks to each and every manufacturer to help deliver these discounts. This proposal will give drug manufacturers three years to voluntarily participate until additional enforcement tools take effect. The enforcement tools cannot jeopardize the up to \$300 million in drug rebates the state receives per year.

In addition, Governor Schwarzenegger signed AB 2877 by Assemblymember Dario Frommer (D-Glendale), which creates a website to help consumers find the U.S.-based pharmacy selling his or her needed prescription drug at the lowest retail price. New York and Florida have developed similar websites for consumers to use as a price comparison tool.

The Governor sent a letter in January 2006 to Congress calling for a change in federal law to allow consumers to safely import prescription drugs from other countries. During the transition to new federal prescription drug benefits, the Governor created an emergency relief program to ensure one million low-income seniors and persons with disabilities were able to access their life-saving prescription drugs. As a temporary and creative solution, the Governor signed SB 798, by Senator Joe Simitian, (D-Palo Alto) creating a voluntary program for counties to distribute surplus medications at no cost to the poor and uninsured.