



Fact Sheet: The California Drug Price Relief Act

Drug companies are overcharging California taxpayers by billions of dollars each year for life-saving medicine. As healthcare access expands, California must begin to use our massive bargaining power to negotiate lower drug prices for taxpayers.

The California Drug Price Relief Act of 2016

The California Drug Price Relief Act is a 2016 ballot initiative that will require the State of California to pay no more for prescription drugs than is paid for the same medication by the U.S. Department of Veterans Affairs (DVA), which provides healthcare services for nearly 22 million U.S. military veterans. California could also negotiate for prices below those paid by the department. This would encompass all drug purchases in which the state is the ultimate payer, whether it purchased the drugs directly from the pharmaceutical companies or not.

Taxpayers Will Save Billions of Dollars Under the California Drug Price Relief Act

The U.S. Department of Veterans Affairs uses its buying power by law to purchase prescription drugs at roughly 40% off the prices drug companies charge states and individuals that do not utilize their buying power. By achieving equivalent savings for the State of California, the Drug Price Relief Act would save California taxpayers approximately \$5.7 billion over 10 years.

When approved by voters on Nov. 8, 2016, this initiative will:

- Authorize the state and state agencies, including but not limited to the California Department of Healthcare Services, to enter into agreements with manufacturers of any prescription drugs purchased by the state such that the net cost is the same or less than the lowest price paid for the same drug by the United States Department of Veterans Affairs.
- Apply this price ceiling to all programs where the State of California or a state administrative agency is the ultimate payer of prescription drugs.
- Require the State of California and affected entities to comply by July 1, 2017.

Prescription Drug Costs Are One of the Largest Drivers of Rising Healthcare Costs in Our State

Nationally, prescription drug spending rose by more than 550% between 1990 (\$40.3 billion) and 2011 (\$263.3 billion):

- U.S. drug prices rose 11% in 2014 alone.
- Spending on specialty medications, such as those used to treat HIV/AIDS, Hepatitis C, and cancers, are rising faster than other types of medications. In 2014 alone, total spending on specialty medications increased by more 25 percent.
- The price of brand-name cancer drugs doubled in five years, from \$5,000 per month in 2008 to [\\$10,000 per month](#) in 2013.

- Advertising and marketing costs -- not research and development – are driving price increases.

Who Will Benefit?

Ultimately, millions of Californians would benefit if this proposal passes. The millions of income-tax payers would see the state save billions of dollars on drug purchases – freeing up funds to redirect to other critical healthcare needs. Taxpayers would also save directly because their tax dollars pay the drug costs for the 112,000 inmates in California state prisons. The nearly five million Californians who are non-HMO participants in Medi-Cal, and who are members of CalPERS, and the 31,000 participants in the AIDS Drug Assistance program (ADAP), could also benefit from lower co-pays and deductibles for drug purchases. In addition, this proposal could ultimately force the drug companies to moderate price increases across the board, based on public pressure and the lowered prices of state-purchased drugs.

Change is Coming

Nationally, as well as in California, public outrage over exorbitant drug prices has driven elected officials to engage on the issue, initiative investigations and propose solutions:

- Both major Democratic Party presidential candidates have put forward plans to cap prescription drug prices, and several Republican candidates have also publicly criticized the price-gouging of pharmaceutical companies.
- The Senate Special Committee on Aging, co-chaired by a Republican senator and Democratic senator, has opened an official investigation into drug pricing.
- Democrats in the U.S. House of Representatives have created an Affordable Drug Pricing Task Force to investigate drug prices.
- Legislators in Massachusetts and North Carolina have introduced bills that would force pharmaceutical companies to justify price increases, and several other states have introduced legislation to control drug prices, including California.
- In July, 118 leading oncologists signed on to an open letter published in Mayo Clinic Proceedings calling for a “patient-led initiative” to lower the price of cancer drugs, one of several recent cases where doctors have spoken out against the high cost of prescription drugs.

Who We Are

The California Drug Price Relief Act of 2016 is chiefly sponsored by the AIDS Healthcare Foundation (AHF), a nonprofit, tax-exempt 501(c)(3) organization based in Los Angeles. AHF is the largest provider of HIV/AIDS medical care in the U.S., and offers cutting-edge medicine and advocacy to more than 500,000 patients in 36 countries. Since 1987, AHF has cared for thousands of people living with HIV and AIDS worldwide. Lowering the cost of life-saving medications for AIDS and other potentially fatal conditions is a key part of its mission.

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