

**California Department of Health Care Services
Proposed Trailer Bill Legislation**

HIV and Cancer Drugs

FACT SHEET

Issue Title: HIV and Cancer Drugs. The Department of Health Care Services (DHCS) proposes to modify existing references to minimum state supplemental rebate amounts for human immunodeficiency virus (HIV)/acquired immunodeficiency syndrome (AIDS) and cancer drugs in state law and tie state supplemental rebates to a federal rebate percentage effective no sooner than January 1, 2026.

Background: Drug manufacturers agree to provide rebates under the Medicaid Drug Rebate Program in exchange for comprehensive state Medicaid coverage for their Food and Drug Administration-approved drugs. Under existing law, DHCS currently implements a minimum state supplemental rebate of 10 percent on HIV/AIDS and cancer drugs in addition to federal rebates, which was originally established as a policy in 2010 (Welfare and Institutions Code (WIC) Section 14105.436). However, in recent years, the approval of new HIV/AIDS and cancer medications has led to a significant increase in drug costs, with many of these new treatments being far more expensive than their predecessors. These newer, more costly drugs typically have lower mandatory federal rebates compared to older HIV/AIDS and cancer medications, which benefit from higher mandatory federal rebate levels due to their longer presence on the market. The relatively low federal rebates place cost pressures on the Medi-Cal program as the cost of these new medications continues to rise. New more costly HIV/AIDS and cancer drugs come to market may offer Medi-Cal members ease of administration and may result in higher rate of adherence and better health outcomes.

While state law allows DHCS to obtain a minimum state supplemental rebate on HIV/AIDS and cancer drugs of 10 percent, the statute currently limits this rebate to minimum of 10 percent and does not accommodate for increased drug prices for these high-cost products and their relatively low federal rebate amounts. This has limited DHCS' ability to control spend of high-cost drugs and limits flexibility to obtain competitive rebates for these products of high utilization.

Justification for the Change: DHCS proposes to modify the minimum state supplemental rebate amounts for HIV/AIDS and cancer drugs by tying these rebates to a federal rebate percentage, which will allow DHCS to address the rising costs of new treatments. DHCS considers the ability to obtain competitive rebates for high-cost highly utilized specialty drugs necessary to accommodate member access to care. The ability to obtain higher rebate amounts and increase the current rebate floor for HIV/AIDS and cancer drugs will allow DHCS to cover newer more expensive treatment options that provide Medi-Cal members with

products requiring fewer pills per day, further improving medication adherence and health outcomes.

Specifically, the trailer bill language would:

- Increase the minimum state rebate amount all pharmaceutical manufacturers are required to provide to DHCS from 10 percent to 20 percent of the average manufacturer price if the federal rebate is less than 50 percent, and not less than 15 percent of the average manufacturer price if the federal rebate is 50 percent or greater based on Medi-Cal utilization data for any drug products that have been added to the Medi-Cal list of contract drugs, effective January 1, 2026 (WIC section 14105.436(e)).
- Increase the minimum state rebate amount pharmaceutical manufacturers are required to provide to DHCS from 20 percent to 25 percent if the pharmaceutical manufacturer does not enter into a supplemental rebate agreement within 60 days after the addition of the drug to the Medi-Cal list of contract drugs and other conforming changes (WIC Section 14105.436(h)).

Estimate Issue # and Title: PC 215: HIV/AIDS and Cancer Drug Rebates