



State of California—Health and Human Services Agency
Department of Health Care Services



GAVIN NEWSOM
GOVERNOR

July 16, 2021

The Honorable Lorena Gonzalez, Chair
Assembly Appropriations Committee
State Capitol, Room 2114
Sacramento, CA 95814

SENATE BILL 521 (AS AMENDED April 12, 2021) – OPPOSE

Dear Assemblymember Gonzalez:

The Department of Health Care Services (DHCS) must inform you of its opposition to Senate Bill (SB) 521. SB 521 would authorize DHCS to enter into value-based arrangements, including a rebate, discount, or price reduction, with drug manufacturers based on outcome data or other metrics, as determined by DHCS and the drug manufacturers. SB 521 would also require DHCS to report to the Legislature on or before July 1, 2022, on how value-based arrangements may be implemented in the Medi-Cal program.

More time is needed to evaluate the effectiveness of value-based arrangements and determine whether value-based arrangements are cost effective and appropriate in the long-term. While at first glance these types of arrangements may seem advantageous to the state by requiring drug manufacturers to be more fiscally responsible for treatment failures, the price of many of the new, innovative, and oftentimes genetic treatments that would fall under the scope of these types of contracts are listed in the million(s)-dollar range of up-front costs. Without broader use nationally, it is difficult to assess how successful the patient treatment outcomes are and whether that demonstrates a tangible value to the state for value-based arrangements.

Although SB 521 is permissive of these arrangements, it sets an expectation for DHCS to begin implementing these types of contracts by including a mandatory reporting date of July 1, 2022, to the Legislature, as to how these contracts may be implemented in the Medi-Cal program. In fact, DHCS already has the existing authority to negotiate the value-based arrangements proposed under this bill. If DHCS determines that it wants to move in this direction, a State Plan Amendment approval from the Centers for Medicare & Medicaid Services would be required.

If you have any questions regarding our position, please feel free to contact me at (916) 440-7500.

Honorable Lorena Gonzalez
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Sincerely,

O/S by Carol Gallegos

Carol Gallegos, Deputy Director
Legislative & Governmental Affairs
Department of Health Care Services

cc: Senator Steven Bradford, Author
Assemblymember Franklin Bigelow, Vice-Chair
Assemblymember Isaac Bryan
Assemblymember Lisa Calderon
Assemblymember Wendy Carrillo
Assemblymember Ed Chau
Assemblymember Megan Dahle
Assemblymember Laurie Davies
Assemblymember Vince Fong
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