



March 15, 2023

The Honorable Susan Talamantes Eggman
Chair, Senate Health Committee
1021 O St., Suite 3310
Sacramento, CA 95814

SUBJECT: SB 786 (Portantino) – SUPPORT

Dear Senator Eggman:

In California, roughly 175 not-for-profit hospitals across more than 1,800 different sites participate in the federal government's 340B drug discount program. To qualify, a hospital must serve a high level of low-income patients, meet a variety of program criteria, and use the savings to help vulnerable populations. These hospitals are subject to rigorous oversight and audits from the Health Resources and Services Administration and receive discounts directly from pharmaceutical manufacturers to stretch scarce resources as far as possible. The 340B program generates valuable savings that enable eligible hospitals to reinvest in programs that provide free care for uninsured patients, free vaccinations, services in mental health clinics, chronic disease management, and community health.

This is why the California Hospital Association (CHA), on behalf of more than 400 hospitals and health systems, supports Senate Bill (SB) 786. The bill would prohibit pharmacy benefit managers (PBMs) from imposing requirements, conditions, or exclusions that prevent 340B-covered entities from retaining the benefit of discounted pricing because of their 340B status. This includes prohibiting PBMs from establishing payment terms, reimbursement methodologies, or other contract terms and conditions designed to make 340B reimbursement less favorable.

SB 786 would also prohibit payers from requiring 340B entities to identify — either directly or through a third party — covered drugs or covered drug costs. In addition, it would prohibit payers from refusing to contract with, terminating a contract with, or taking any other retaliatory action on a provider solely on the basis of being a 340B entity.

Hospitals have raised concerns about some of the practices that PBMs are implementing on 340B entities. This includes asking hospital-covered entities to identify 340B prescriptions and then reimbursing for drugs at lower rates simply because they were purchased under 340B. This is antithetical to the intent of the 340B program and threatens the health of millions of low-income and rural Californians who rely on it for their medication.

For these reasons, CHA supports SB 786.

Sincerely,

A handwritten signature in black ink, appearing to read 'Mark Farouk', with a long horizontal stroke extending to the right.

Mark Farouk
Vice President, State Advocacy

cc: The Honorable Anthony Portantino
The Honorable Members of the Senate Health Committee
Teri Boughton, Consultant, Senate Health Committee
Joe Parra, Consultant, Senate Republican Caucus