




May 11, 2015

TO: Members, Assembly Appropriations Committee

FROM: Julianne Broyles 
On Behalf of California Association of Health Underwriters and the
California Association of Joint Powers Authorities

**SUBJECT: AB 374 (NAZARIAN)--PRESCRIPTION DRUG: NEW BARRIERS:
STEP THERAPY USE - OPPOSE
SET FOR HEARING: MAY 13, 2015**

The California Association of Health Underwriters and the California Association of Joint Powers Authorities must both **OPPOSE AB 374 (Nazarian)**, as amended April 30, 2015, that would limit step-therapy protocols used by health plans and insurers to manage prescription drug use.

AB 374 will eliminate valuable cost control mechanisms used by health plans and insurers and preclude the use of this valuable tool to protect patients from the risks of prescription medicines. Our organizations are concerned that mandates, such as those in **AB 374**, will reduce flexibility in benefit management, increase health care costs and premiums to both insured and self-insured plans, thereby reducing employer choice of benefit packages to offer their employees.

Step therapy is a well-established and medically documented practice of beginning drug therapy with the most cost-effective and safest drug, and then progressing to other more costly or riskier medications, if the initial medication fails to achieve results for the patient. This practice is an important tool in patient safety because it promotes the best outcomes using medications that are considered the safest and most cost-effective, with minimal or known side-effect profiles.

A well-designed step-therapy program ensures that patients receive the most appropriate medications in a cost-effective manner, while reducing waste, error and unnecessary drug use. As you may know, many newer, more costly medications often have more dangerous side effects and have not been as widely tested in the broader population as the older medications, most of which have generic status. A number of newer medications have been withdrawn from the market in recent years as a result of risks that were discovered only after they entered the broader patient population.

Our organizations believe that **AB 374's** mandate will contribute to the problem of rising health care costs by at a time when there is a tremendous focus on developing affordable health plans that meet federal and state essential health benefit requirements. While this bill may only be a small increase in health care costs, the increase cannot be viewed in isolation. New taxes and fees and richer benefit packages as a result of the implementation of the Affordable Care Act have contributed to higher costs and premiums.

For these reasons, our organizations urge your **"NO"** vote on **AB 374 (Nazarian)** when it comes before you for consideration.

cc: Office of the Governor
The Honorable Adrin Nazarian
Lisa Murawski, Assembly Appropriations Committee
Eric Swanson, Assembly Republican Caucus