

PROPOSITION 78
Discounts on Prescription Drugs.
Initiative Statute.
Proponent: Ashlee N. Brown
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Date: July 21, 2005

OFFICIAL TITLE AND SUMMARY
PREPARED BY THE ATTORNEY GENERAL

BALLOT TITLE AND SUMMARY

**DISCOUNTS ON PRESCRIPTION DRUGS.
INITIATIVE STATUTE.**

- Establishes discount prescription drug program, overseen by California Department of Health Services.
- Enables certain low- and moderate-income California residents to purchase prescription drugs at reduced prices.
- Authorizes Department: to contract with participating pharmacies to sell prescription drugs at agreed-upon discounts negotiated in advance; to negotiate rebate agreements with participating drug manufacturers.
- Imposes \$15 annual application fee.
- Creates state fund for deposit of drug manufacturers' rebate payments.
- Requires Department's prompt determination of residents' eligibility, based on listed qualifications.
- Permits outreach programs to increase public awareness.
- Allows program to be terminated under specified conditions.

**Summary of Legislative Analyst's Estimate of
Net State and Local Government Fiscal Impact:**

- One-time and ongoing state costs, potentially in the millions to low tens of millions of dollars annually, for administration and outreach activities for a new drug discount program. A significant share of these costs would probably be borne by the state General Fund.

**SUBJECT TO COURT
ORDERED CHANGES**

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- State costs, potentially in the low tens of millions of dollars, to cover the funding gap between when drug rebates are collected by the state and when the state pays funds to pharmacies for drug discounts provided to consumers. Any such costs not covered through advance rebate payments from drug makers would be borne by the state General Fund.
- Unknown potentially significant savings for state and county health programs due to the availability of drug discounts.
- Potential unknown effects on state revenues and expenditures from changes in prices and quantities of drugs sold in California.

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