

PROPOSITION 79  
Prescription Drug Discounts.  
State-Negotiated Rebates.  
Initiative Statute.  
Proponent: Anthony E. Wright  
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Date: July 21, 2005

OFFICIAL TITLE AND SUMMARY  
PREPARED BY THE ATTORNEY GENERAL

**BALLOT TITLE AND SUMMARY**

**PRESCRIPTION DRUG DISCOUNTS.  
STATE-NEGOTIATED REBATES.  
INITIATIVE STATUTE.**

- Provides for prescription drug discounts to Californians who qualify based on income-related standards, to be funded through rebates from participating drug manufacturers negotiated by California Department of Health Services.
- Prohibits new Medi-Cal contracts with manufacturers not providing the Medicaid best price to this program, except for drugs without therapeutic equivalent.
- Rebates must be deposited in State Treasury fund, used only to reimburse pharmacies for discounts and to offset costs of administration.
- At least 95% of rebates must go to fund discounts.
- Establishes oversight board.
- Makes prescription drug profiteering, as described, unlawful.

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

- One-time and ongoing state costs, potentially in the 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.
- 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.

**SUBJECT TO COURT  
ORDERED CHANGES**

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- Unknown potentially significant net costs or savings as a result of provisions linking state Medi-Cal rebate contracts and the new drug discount program.
- Unknown potentially significant savings for state and county health programs due to the availability of drug discounts.
- Unknown costs and revenues from the provisions regarding lawsuits over profiteering on drug sales.
- Potential unknown effects on state revenues and expenditures from changes in prices and quantities of drugs sold in California.

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