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An act to amend Section 14105.46 of the Welfare and Institutions Code,  
relating to Medi-Cal.



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THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

SECTION 1. Section 14105.46 of the Welfare and Institutions Code is amended to read:

14105.46. (a) For purposes of this section:

(1) "Covered entity" means a provider defined as a covered entity in Section 256b of Title 42 of the United States Code.

(2) "340B" means the discount drug purchasing program described in Section 256b of Title 42 of the United States Code.

(b) A covered entity shall dispense only 340B drugs to Medi-Cal beneficiaries.

(c) If a covered entity is unable to purchase a specific 340B drug, the covered entity may dispense a drug purchased at regular drug wholesale rates to a Medi-Cal beneficiary. If a covered entity dispenses a drug purchased at regular drug wholesale rates pursuant to this subdivision, the covered entity is required to maintain documentation of their inability to obtain the 340B drug.

(d) A covered entity shall bill an amount not to exceed the entity's actual acquisition cost for the drug, as charged by the manufacturer at a price consistent with Section 256b of Title 42 of the United States Code plus the professional fee pursuant to Section 14105.45 or the dispensing fee pursuant to Section 14132.01.

(e) A covered entity shall identify a 340B drug on the claim submitted to the Medi-Cal program for reimbursement.

(f) Notwithstanding Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code, the department may take the actions



specified in this section by means of a provider bulletin or notice, policy letter, or other similar instructions, without taking regulatory action.

(g) (1) (A) Notwithstanding any other law, the department shall seek federal approval to prohibit or otherwise limit the use of contract pharmacies by a covered entity participating in the Medi-Cal program, including, but not limited to, the fee-for-service and Medi-Cal managed care delivery systems.

(B) Notwithstanding any other law, and no sooner than January 1, 2018, the department shall prohibit or otherwise limit the use of contract pharmacies by a covered entity participating in the Medi-Cal program, including, but not limited to, the fee-for-service and Medi-Cal managed care delivery systems.

(2) This subdivision shall not be implemented until the applicable necessary federal approvals are obtained. If, and only to the extent, federal approval is obtained, the department shall implement on a prospective basis according to the effective date identified in the applicable federal approval obtained. The department shall seek an effective date for dates of service commencing at least 90 days from the date the applicable federal approval is obtained, but no sooner than January 1, 2018.

(3) This subdivision shall be implemented only to the extent that any necessary federal approvals are obtained and federal financial participation is available and is not otherwise jeopardized.



## LEGISLATIVE COUNSEL'S DIGEST

Bill No.

as introduced, \_\_\_\_\_

General Subject: Medi-Cal: 340B Drug Pricing Program.

Existing law provides for the Medi-Cal program, which is administered by the State Department of Health Care Services, and under which qualified low-income persons receive health care benefits. The Medi-Cal program is, in part, governed and funded by federal Medicaid program provisions. Existing federal law, commonly referred to as the 340B Drug Pricing Program, imposes limits on the prices drug manufacturers may charge for medications sold to specified health care entities, defined as covered entities.

This bill would require the department to seek federal approval to, and upon that approval and after January 1, 2018, would prohibit or otherwise limit the use of contract pharmacies by a covered entity participating in the Medi-Cal program.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.

