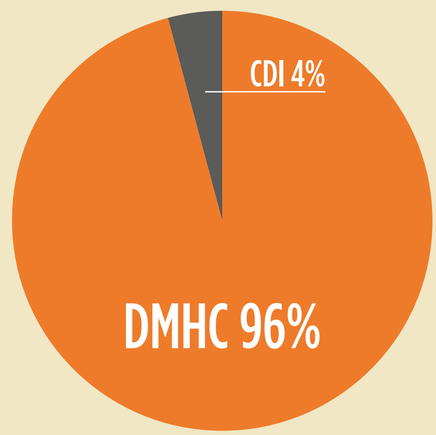
RESEARCH SPOTLIGHT

RUNAWAY Rx
AFFORDABLE PRICES FOR REAL CURES

HOW PRESCRIPTION DRUG COSTS IMPACT CALIFORNIA HEALTH PLAN PREMIUMS

In 2017, California enacted into law SB 17, groundbreaking legislation that is helping to shine a light on pharmaceutical companies' efforts to spike prescription drug prices. The California Department of Managed Care (DMHC) and the California Department of Insurance (CDI) recently published their first annual public reports required by the law, which show the overall impact of prescription drug costs on health care premiums. **Here is a look at some of the key findings from the reports:**

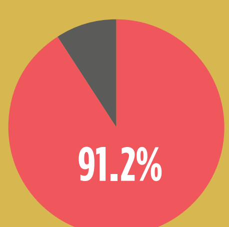
Health Coverage in California By Regulator



DMHC regulates managed care health plans while CDI regulates health insurers

Source: CHCF

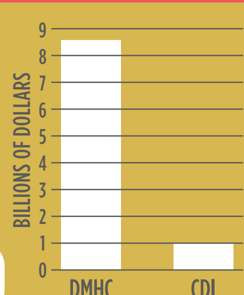
KEY CONCLUSIONS



- DMHC-regulated managed care plans paid **91.2%** of the cost of the 25 most costly drugs across all 3 categories: **generic, brand name, and specialty.**

<<< This shows that health plans are providing a critical service to consumers by picking up the majority of the tab for the costliest medications.

- DMHC-regulated health plans paid nearly **$8.7 billion** for prescription drugs in 2017. CDI-regulated health insurers spent just over **$1 billion**.



- Prescription drugs accounted for **13.1%** of total DMHC-regulated health plan premiums and **16.5%** of total CDI-regulated health insurer premiums in 2017. However, it is important to note these amounts do not account for spending on outpatient drugs, inpatient (hospital) drugs or drugs paid for by the health plans' capitated providers.

California Association of Health Plans

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SPECIALTY DRUGS:

Specialty drugs are far and away the largest driver of prescription drug costs for health plans.

DMHC Managed Care Plans:

Specialty drugs account for **1.6%** of all prescriptions, but account for **51.5%** of total annual prescription drug spending by health plans and enrollee cost share. Patients paid less than 3% /Health plans covered 97% of specialty drug costs for members.

CDI Health Insurers:

Specialty drugs account for **2.5%** of all prescriptions, but account for **51.7%** of total annual prescription drug spending by health plans.

GENERIC DRUGS:

DMHC Managed Care Plans:

Generic drugs account for **87.8%** of prescriptions, but only **23.6%** of the total annual prescription drug spending by health plans and enrollee cost share.

CDI Health Insurers:

Generic drugs account for **84%** of prescriptions, but only **21%** of the total annual prescription drug spending by health plans.

BRAND NAME DRUGS:

DMHC Managed Care Plans:

Brand name drugs account for **10.6%** of prescriptions, and **24.8%** of the total annual prescription drug spending by health plans and enrollee cost share.

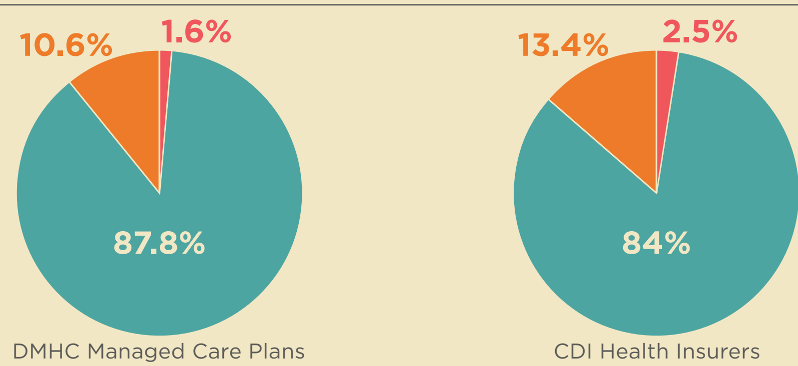
CDI Health Insurers:

Brand name drugs account for **13.4%** of prescriptions, and **27.2%** of the total annual prescription drug spending by health plans.

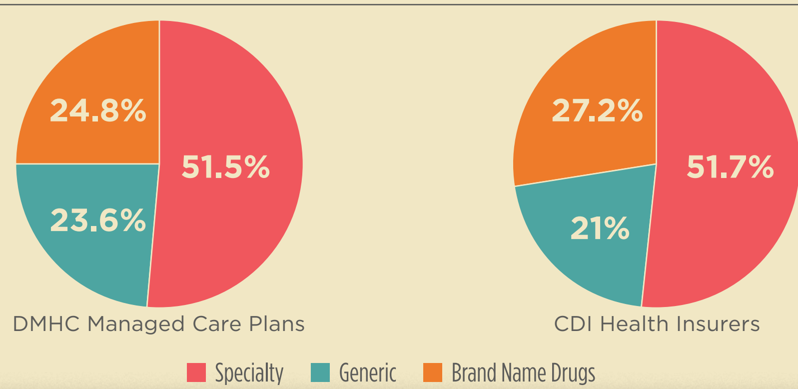
REALITY CHECK:

According to the DMHC report, prescription drug rebates accounted for a 10.5% reduction in total health plan drug spending. Health plans pass on these rebate savings to members by lowering premiums. Although rebates do provide some relief to consumers, these findings clearly show that rebates are far lower than pharma's claim that one-third of drug list prices are rebated back to health plans. The problem is the price. Pharma needs to stop using rebates as a scapegoat for their out-of-control prices.

Percentage of all prescriptions



Percentage of total annual prescription drug spending



Higher prescription drug costs = Higher Premiums

Prescription drugs remain one of the top cost drivers of health plan premiums. Because health plans are required to spend at least 80-85 cents of every dollar on medical care, premiums directly reflect the cost of medical care. **As the price of prescription drugs rise, so do premiums.**

The findings from these reports indicate that high prescription drug costs continue to have a significant impact on health plan premiums and the affordability of health care. To read the full DMHC report, ***click here***. To read the full CDI report, ***click here***.