PRESCRIPTION DRUG COSTS: A MAJOR DRIVER OF CALIFORNIA HEALTH PLAN PREMIUMS

SB 17, California’s groundbreaking drug price transparency law enacted in 2017 is helping to shine a light on pharmaceutical companies’ efforts to spike prescription drug prices.

The California Department of Managed Health Care (DMHC) and the California Department of Insurance (CDI) recently published their annual public reports for 2018, 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:

KEY CONCLUSIONS

Health plans are providing a critical service to consumers by picking up the majority of the tab for the costliest medications.

- DMHC-regulated managed care plans paid 91.9% of the cost of the 25 most costly drugs across all 3 categories: **generic, brand name, and specialty.**
- DMHC-regulated health plans paid nearly **$9.1 billion** for prescription drugs in 2018, an increase of more than $400 million from 2017. CDI-regulated health insurers spent just over **$1 billion**.

**SPOTLIGHT ON SPECIALTY DRUGS:**

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

**Specialty Drugs:**

While specialty drugs only account for 1.6% of all prescriptions, they comprise nearly 53% of total annual drug spending by health plans and enrollee cost share. Patients paid 3.1% and health plans covered nearly 97% of specialty drug costs for members.

**Generic drugs** account for approximately 87% of prescriptions, but only 22.4% of the total annual prescription drug spending by health plans and enrollee cost share.

**Brand name drugs** account for approximately 11.4% of prescriptions, and 25% of the total annual prescription drug spending by health plans and enrollee cost share.

Source: DMHC
According to the DMHC report, prescription drug rebates accounted for a 11.7% 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.