

PRESCRIPTION DRUG COSTS ARE DRIVING UP CALIFORNIA HEALTH CARE PREMIUMS

The California Department of Managed Health Care (DMHC) recently published its annual public report for 2019, which shows the overall impact of prescription drug costs on health care premiums, ultimately impacting health care costs for consumers.

California's drug transparency law, SB 17 (2017) continues to shine a light on big pharma's efforts to spike prescription drug costs.

KEY CONCLUSIONS

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

- Overall, health plans paid **92.4%** of the cost of the 25 Most Costly Drugs, including generic, brand name, and specialty.
- DMHC-regulated health plans paid more than **\$9.6 billion** for prescription drugs in 2019, an increase of almost \$600 million from 2018.

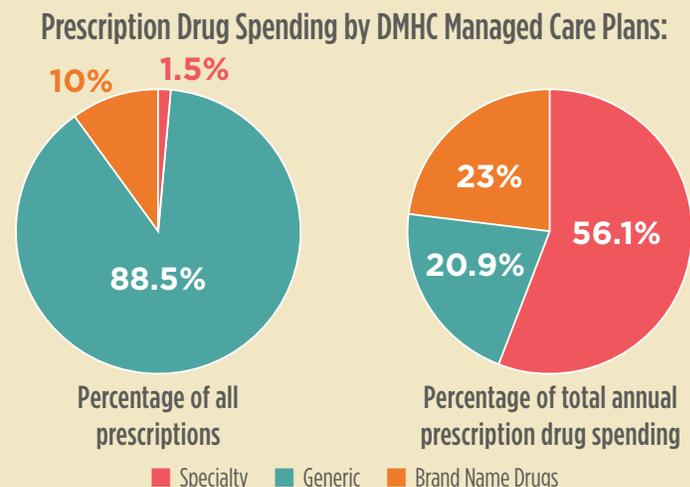
SPOTLIGHT ON SPECIALTY DRUGS:

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

Specialty Drugs:

While specialty drugs only account for **1.5%** of all prescriptions, they comprise nearly **56.1%** of total annual spending on prescription drugs. Health plans covered over 97% of the cost of specialty drugs, an increase since 2018.

Generic drugs account for approximately **88.5%** of prescriptions, but only **20.9%** of the total annual spending on prescription drugs.



Brand name drugs account for approximately **10%** of prescriptions, and **23%** of the total annual spending on prescription drugs.

Source: DMHC

REALITY CHECK:

According to the DMHC report, prescription drug rebates accounted for a 12.5% reduction in total prescription 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 pharma claims merely put a Band-Aid on a gaping problem.

The problem is the price. Pharma needs to stop using rebates as a scapegoat for their out-of-control prices.

FAST FACTS:

- ➔ Health plan prescription drug costs *increased at a faster rate* than medical expenses between 2018 and 2019.
- ➔ Prescription drugs accounted for **12.8%** of total health plan premiums in 2019, a slight increase from 2018.
- ➔ Increased prescription drug costs have led to a **5.3% increase** in health plan premiums between 2018 and 2019.



OVER \$1 OUT OF EVERY \$8
of health plan premiums was spent on prescription drug costs.

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.