

RESEARCH SPOTLIGHT



PRESCRIPTION DRUG PRICES ARE DRIVING UP CALIFORNIA HEALTH CARE PREMIUMS

The California Department of Managed Health Care (DMHC) recently published its annual public report for 2020, which shows the overall impact of prescription drug prices on health care premiums, ultimately impacting health care costs for consumers.

Thanks to California's groundbreaking drug transparency law SB 17 (2017) big pharma's efforts to hike prescription drug prices are crystal clear. Here are some key takeaways from the report.

KEY TAKEAWAYS

Health plans continue to pick up the tab for consumer's prescription drugs — but it's getting more expensive every year

In 2020, health plans paid more than **\$10 BILLION** for prescription drugs, nearly **\$500 MILLION** more than in 2019.

Prescription drugs accounted for **12.7%** of total health plan premiums in 2020.

Health plans covered **90.8%** of the cost of the 25 most expensive drugs across all three main categories (generic, brand name, and specialty).

TRENDS OVER TIME

While big pharma continues to increase the costs of prescription drugs, health plans are covering over 90% of the costliest drugs across all categories for their members.

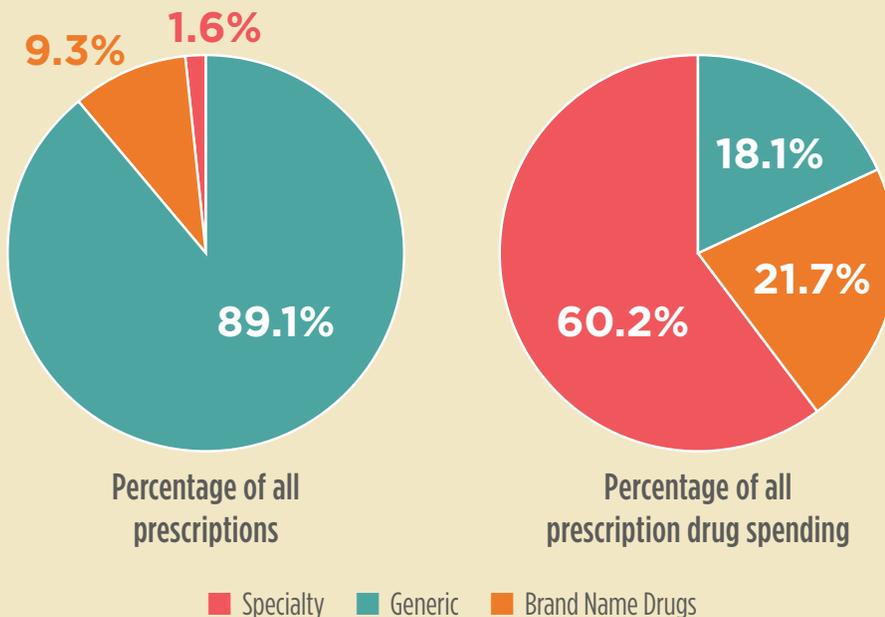
PRESCRIPTION DRUG COSTS CONTINUE TO INCREASE



SPOTLIGHT ON SPECIALTY DRUGS:

Specialty drugs continue to have an outsized impact on prescription drug spending, accounting for 60.2% of all drug spending despite only accounting for 1.6% of all prescriptions.

More than **3 out of 5 dollars** in prescription drug spending by health plans went towards less than **1 in 60 prescriptions**, driving up health plan spending.



Rebate Reality Check:

Manufacturer Drug rebates represented about 14.2% of total prescription drug spending. While health plans passed those savings on to consumers in the form of lower premiums, big pharma continues to use rebates as an excuse to ignore its own exorbitant and growing drug prices.

Until drug prices are brought under control, the burden on health plans and consumers will stay high, no matter how much pharmaceutical companies want to use rebates as a scapegoat for their own pricing.

Higher prescription drug costs = Higher Premiums

Since health plans still cover over 90% of costs for the most common and most costly prescription drugs, the increased cost burden is shared among California health plan consumers in the form of higher premiums. As the latest DHMC report makes clear, drug prices are rising at an alarming rate and have an outsized impact on health plan premium costs and the affordability of health care.

The Problem is the Price

Prescription drug costs remain the fastest-growing cost driver of health plan premiums.

In 2020, more than **\$1 of every \$8** spent on health plan premiums, went towards covering the costs of prescription drugs.

Since 2017, prescription drug costs paid by health plans increased by **\$1.5 billion**.

The **5% increase** of prescription drug costs in 2020 was significantly greater than the **3.7% increase** in medical expenses accrued during the onset of the COVID-19 pandemic.