

PRESCRIPTION DRUG PRICES ARE DRIVING UP CALIFORNIA HEALTH CARE COSTS

The California Department of Managed Health Care (DMHC) released its annual public report for 2022, which shows the overall impact of prescription drug prices on health plan spending, which ultimately impacts health care premium costs for Californians.

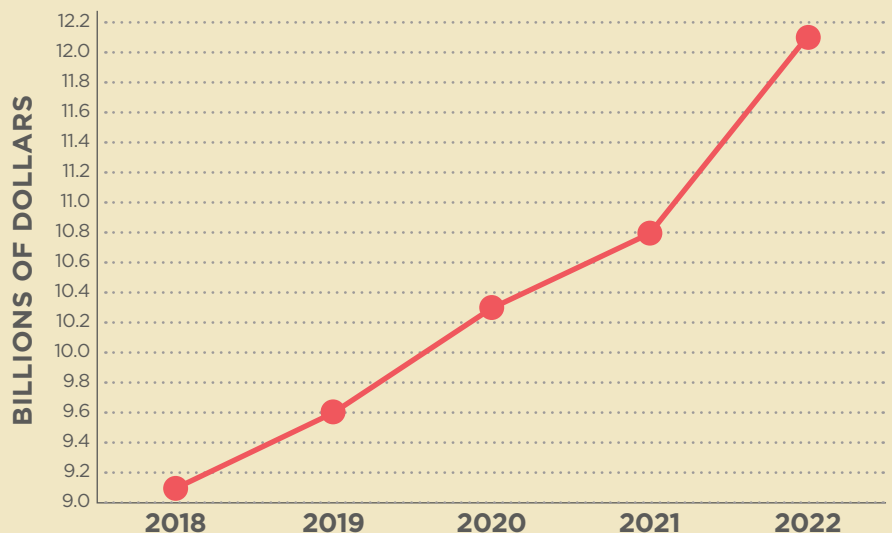
DMHC DRUG COST TRANSPARENCY REPORT KEY TAKEAWAYS:

- \$** Prescription drugs accounted for **14.2%** of total health plan premiums in 2022*, an **increase from 13.3%** in 2021.
- \$** In 2022 health plans covered **93.4%** of the cost of the 25 most costly prescribed drugs across all three categories (generic, brand name and specialty).
- \$** The recent popularity of high-priced brand-named weight loss and diabetes medications drove much of the increase in the total prescription drug spending for health plans in 2022.
- \$** For the first time, COVID-19 tests were among the brand name drugs with the **highest year-over-year increase** in total spending.

PRESCRIPTION DRUG COSTS CONTINUE TO SKYROCKET

Health plans paid more than **\$12.1 BILLION** for prescription drugs in 2022, an **increase of almost \$1.3 billion** or 12.3% from 2021.

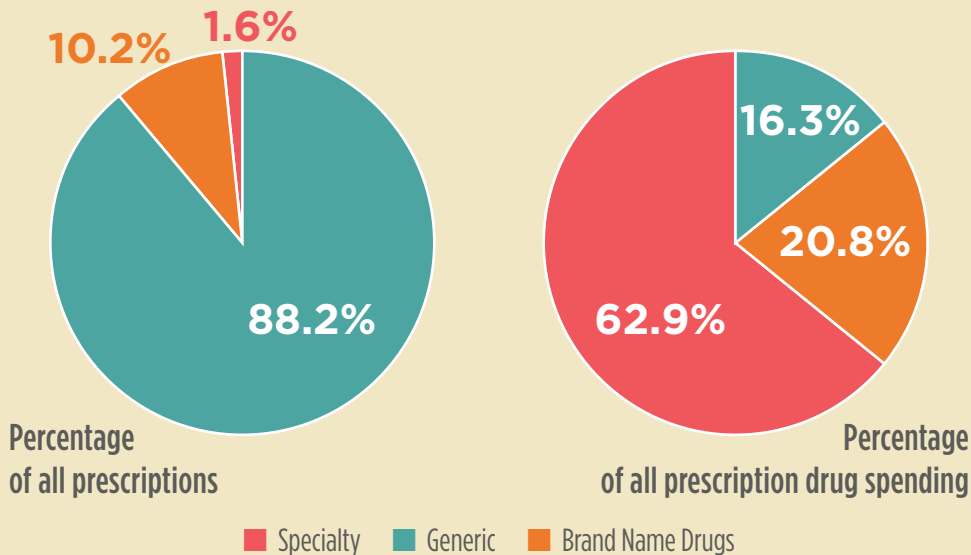
BIG PHARMA'S DRUG PRICES CONTINUE TO INCREASE HEALTH PLAN COSTS



SPECIALTY DRUGS' OUTSIZED IMPACT ON PRESCRIPTION DRUG SPENDING

Specialty drugs continue to have an outsized impact on prescription drug spending, accounting for 64% of all drug spending despite only accounting for 1.6% of all prescriptions.

In 2022, **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.



*There's Even More to This Story

The 2022 DMHC report includes only those prescription drugs dispensed through retail or mail order and DOES NOT include drugs that are provided in a hospital, administered in a doctor's office, or otherwise paid for through capitated payments to delegated providers. Therefore, the 14.2% of premium in 2022 does not capture all costs of prescription drugs paid by health plans.

Higher prescription drug costs = Higher Premiums

With health plans covering over 93% 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 report makes clear, drug costs 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 a major cost driver of health plan premiums.

For the second year, Pfizer and Moderna COVID-19 vaccines were amongst the most frequently prescribed and costliest brand name drugs.

Since 2017, prescription drug costs paid by health plans increased by **\$3.4 billion or 39%**.

Drug manufacturer rebates helped mitigate some of the overall impact of rising prescription drug prices by **reducing total health plan premiums by 2.4%** in 2022.