



Prescription Drug Cost Transparency Report

Measurement Year 2019

Table of Contents

I. Executive Summary	1
II. Introduction/Background	4
III. Overall Impact of Prescription Drug Costs on Premiums	5
IV. 25 Most Frequently Prescribed Drugs	10
V. 25 Most Costly Drugs by Total Annual Spending	15
VI. 25 Drugs with the Highest Year-Over-Year Increase in Total Annual Spending	19
VII. Conclusion	20
Appendix A: Summary of Data Limitations, Data Aggregation, Methods, and Assumptions	24
Appendix B: List of Health Plans Required to File Pursuant to SB 17	26
Appendix C: Lists of Prescription Drugs	27
Appendix D: Senate Bill 17 Text	36
Appendix E: Glossary	37

Chart and Tables

Chart 1. Three-Year Trend Analysis: Total Health Plan Premium, Medical Expenses, Prescription Drug Expenses and Profit	3
Chart 2. Breakdown of Total Health Plan Premium (PMPM).....	5
Table 1. Impact of Prescription Drugs on Premiums (in millions)	6
Table 2. Impact of Prescription Drugs on Premiums by PMPM	7
Table 3. Volume of Prescription Drugs and Total Annual Plan Spending	8
Table 4. Total Annual Spending on Prescription Drugs by PMPM	9
Table 5. 25 Most Frequently Prescribed Drugs by Percentage	11
Table 6. 25 Most Frequently Prescribed Drugs by PMPM	12
Table 7a. 25 Most Frequently Prescribed Drugs by Health Plan and Enrollee Spending	13
Table 7b. 25 Most Frequently Prescribed Drugs by Health Plan and Enrollee Percent of Spending	14
Table 8. 25 Most Costly Prescribed Drugs by Total Annual Spending	16
Table 9. 25 Most Costly Drugs by PMPM	17
Table 10a. 25 Most Costly Drugs by Health Plan and Enrollee Spending	18
Table 10b. 25 Most Costly Drugs by Health Plan and Enrollee Percent of Spending	18
Table 11. 25 Drugs with Highest Year-Over-Year Increase in Total Annual Spending	19

I. Executive Summary

The California Department of Managed Health Care (DMHC) protects consumers' health care rights and ensures a stable health care delivery system. As part of this mission, the DMHC licenses and regulates health care service plans (health plans) under the Knox-Keene Health Care Service Plan Act of 1975. The DMHC regulates the vast majority of commercial health plans and products in the large group, small group, and individual markets, including most of the health plans that participate in Covered California. The DMHC also regulates Medi-Cal managed care plans, Medicare Advantage plans, and specialized health plans, including dental and vision plans.

Senate Bill 17 (Hernandez, 2017), Health and Safety Code section 1367.243, requires health plans and health insurers that offer commercial products and file rate information with the DMHC or the California Department of Insurance (CDI) to annually report specific information related to the costs of covered prescription drugs. Health plans first submitted their prescription drug cost data in 2018 for [measurement year 2017](#). In 2019, 26 health plans reported their prescription drug data for [measurement year 2018](#). In 2020, 25 health plans submitted prescription drug data for measurement year 2019.¹

This report looks at the impact of the cost of prescription drugs on health plan premiums and compares this data across three reporting years. The DMHC considered the total volume of prescription drugs prescribed by health plans and the total cost paid by health plans for these drugs, on both an aggregate spending level and a per member per month basis (PMPM) and compared the 2017, 2018, and 2019 data. The DMHC also analyzed how the 25 most frequently prescribed drugs, the 25 most costly drugs, and the 25 drugs with the highest year-over-year increase in total annual spending impacted health plan premiums over the course of three reported years.

Key Findings²

- Health plans paid more than \$9.6 billion for prescription drugs in 2019, an increase of almost \$600 million or 6.3% from 2018. On a PMPM basis, health plans paid \$64.31 in 2019, which is an increase of \$3.15 PMPM from 2018. Since 2017, prescription drug costs paid by health plans increased by \$1 billion.³
- Prescription drugs accounted for 12.8% of total health plan premiums in 2019, a slight increase from 12.7% in 2018. Prescription drugs accounted for 12.9% of total health plan premiums in 2017.⁴

¹ The list of Health Plans submitting prescription drug data is provided in Appendix B. The reduction in the number of health plans filing for measurement year 2019 is due to the change in reporting requirements under Assembly Bill 731 effective January 1, 2020.

² The information in this report relies on the data submitted by the health plans.

³ Unless otherwise specified, the prescription drug costs in this report are not adjusted for any manufacturer rebates. However, this report includes the total manufacturer drug rebates collected by health plans.

⁴ The figures in this report include only those prescription drugs dispensed through retail or mail order pharmacies, and does not include drugs that are provided in a hospital, administered in a doctor office, or otherwise paid for through capitated payments to delegated providers. Therefore, the 12.8% of premium in 2019 does not capture all costs of prescription drugs paid by health plans, rather only those that are itemized as part of the health plans' pharmacy benefit.

-
- Health plans' prescription drug costs increased by 6.3% in 2019 (5.1% on a PMPM basis), whereas medical expenses increased by 5.2% (4.1% on a PMPM basis). Overall, total health plan premiums increased by 5.3% (4.2% on a PMPM basis) from 2018 to 2019.
 - Manufacturer drug rebates totaled approximately \$1.205 billion, up from \$1.058 billion in 2018 and \$922 million in 2017. This represents about 12.5% of the \$9.6 billion spent on prescription drugs in 2019. On a PMPM basis, manufacturer drug rebates equaled \$8.06 PMPM, up from \$7.15 PMPM in 2018. This also equates to 12.5% of the \$64.31 PMPM health plans paid for prescription drugs in 2019.⁵
 - While specialty drugs accounted for only 1.5% of all prescription drugs dispensed, they accounted for 56.1% of total annual spending on prescription drugs.⁶
 - Generic drugs accounted for 88.5% of all prescribed drugs but only 20.9% of the total annual spending on prescription drugs.
 - Brand name drugs accounted for 10% of prescriptions and constituted 23% of the total annual spending on prescription drugs.
 - The 25 Most Frequently Prescribed Drugs represented 47.4% of all drugs prescribed and approximately 44.9% of the total annual spending on prescription drugs.
 - For the 25 Most Frequently Prescribed Drugs, enrollees paid 2.9% of the cost of specialty drugs, 11.5% of the cost of brand name drugs, and 53% of the cost of generics.
 - Of the 12.8% of total health plan premium that was spent on prescription drugs, the 25 Most Costly Drugs accounted for 7.1%.
 - Overall, health plans paid 92.4% of the cost of the 25 Most Costly Drugs across all three categories (generic, brand name and specialty).

⁵ Health plans provided the total manufacturer drug rebate information for all drugs. The manufacturer drug rebate was not provided for the top 25 most frequently prescribed drugs, the top 25 most costly drugs or top 25 drugs with highest year-over-year increase in total annual spending.

⁶ "Specialty Drug" is a drug with a plan- or insurer-negotiated monthly cost that exceeds the threshold for a specialty drug under the Medicare Part D program (Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (Public Law 108-173)). In 2019, the threshold amount is \$670 for a one-month supply.

Chart 1

Three-Year Trend Analysis: Total Health Plan Premium, Medical Expenses, Prescription Drug Expenses and Profit

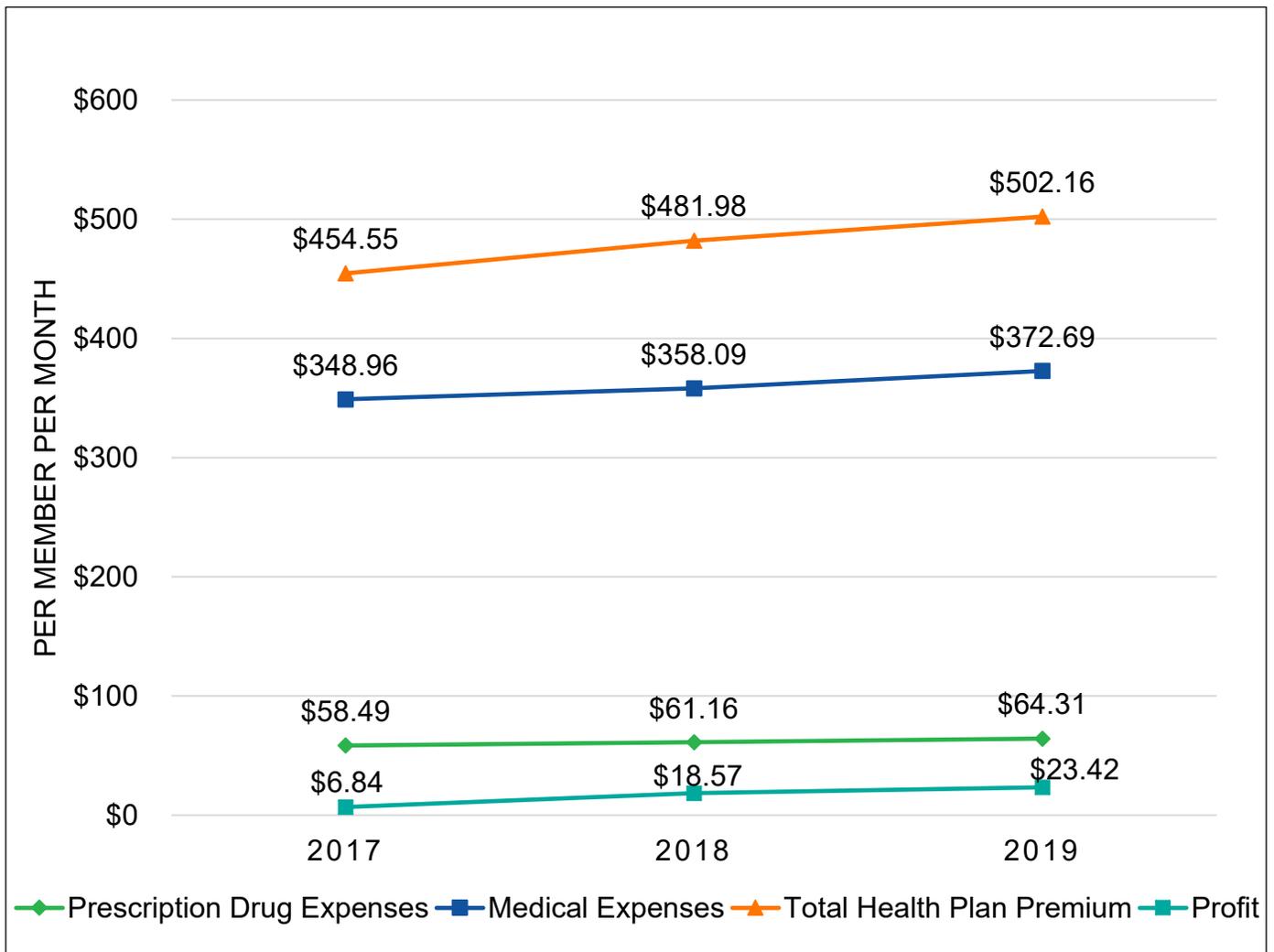


Chart 1 illustrates the total health plan premium, medical expenses, prescription drug expenses and profit on a PMPM basis from 2017 to 2019. All categories increased consistently from 2017 to 2019. On average, enrollees paid \$502.16 per month in health plan premium in 2019 compared to \$481.98 in 2018, an increase of 4.2%. Health plan premium increased by \$47.61, or 10.5%, since 2017. Prescription drug expenses increased by 10% over the last three years, while medical expenses increased by 6.8%. Between 2017 and 2019, health plan profit margins increased, on average, from 1.5% to 4.7%.

II. Introduction/Background

In 2017, California enacted Senate Bill (SB) 17 (Hernandez, 2017) for the purpose of increasing transparency of prescription drug costs. SB 17 requires health plans and health insurers that file rate information with the DMHC or the CDI to report specific data related to prescription drugs, beginning October 1, 2018 and annually thereafter. In addition, SB 17 requires drug manufacturers of any prescription drug with a wholesale acquisition cost of more than \$40 to provide advance notification, on a quarterly basis, of any significant cost increases to those drugs. SB 17 also requires manufacturers of new drugs to publish certain information such as wholesale acquisition cost, marketing plan, and usage of the new prescription drug if the cost exceeds a specified threshold, by reporting this information to the California Office of Statewide Health Planning and Development (OSHPD).⁷

SB 17 requires the DMHC to issue an annual report that summarizes how prescription drug costs impact health plan premiums. The DMHC worked with stakeholders to develop a template for health plan submission of the required data. Specifically, commercial health plans reported the following categories of information:

- a. the 25 prescription drugs most frequently prescribed to health plan enrollees;
- b. the 25 most costly prescription drugs by total annual health plan spending;
- c. the 25 prescription drugs with the highest year-over-year increase in total annual health plan spending; and
- d. the overall impact of drug costs on healthcare premiums.

For the 2019 reporting year, 25 commercial health plans submitted data which includes the proprietary drug names and therapy classes for generic, brand and specialty drugs. The number of prescriptions was measured in terms of units.⁸ As required by Health and Safety Code section 1367.243, the DMHC compiled and aggregated this data to ensure health plans' specific data remained confidential.

Under a separate statutory requirement, health plans that file annual large group rate information with the DMHC and CDI are also required to file specified information regarding health plan spending and year-over-year cost increases for covered prescription drugs. Large group rate information is not discussed in this report but will be presented at the DMHC's public meeting regarding large group rates and posted on the DMHC's website.

⁷ The California Office of Statewide Health Planning and Development (OSHPD) receives the prescription drug cost increase reports and posts these on its website: <https://oshpd.ca.gov/data-and-reports/cost-transparency/rx/>.

⁸ A 30-day supply of a prescription drug is 1 unit; a supply of 31 to 60-days is 2 units, and a supply more than 60-days is 3 units.

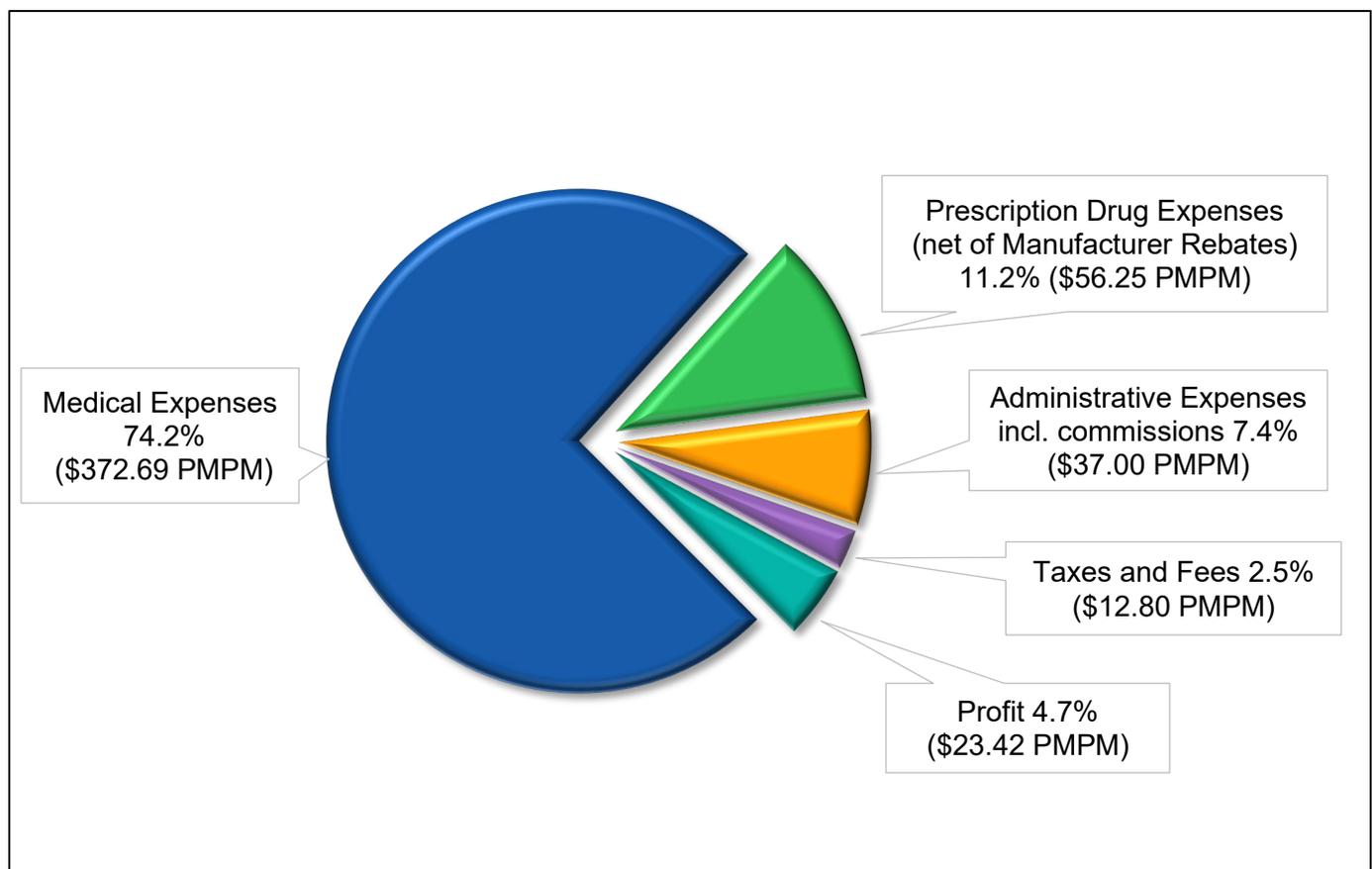
III. Overall Impact of Prescription Drug Costs on Premiums

The DMHC evaluated the overall impact of the cost of prescription drugs on total health plan premiums by calculating the portion of the premium dollars that health plans spent on prescription drugs in 2019.⁹ This was analyzed on an aggregate spending level and on a per member per month basis (PMPM). PMPM calculations display the portion of the premium that was spent on a per member per month basis, whereas total spending calculations do not take into account changes in enrollment that may have caused changes in spending.

Chart 2 shows the breakdown of total health plan premiums on a PMPM basis. For measurement year 2019, the total health plan premium on a PMPM basis was \$502.16. Medical expenses accounted for \$372.69, or 74.2%, of the health plan premium. Prescription drug expenses, net of manufacturer rebates, accounted for \$56.25, or 11.2%, of total health plan premium on a PMPM basis. Profit accounted for \$23.42, or 4.7%, of the total health plan premium on a PMPM basis. Administrative expenses, commission and taxes and fees accounted for the remaining \$49.80, or 9.9%, of the total health plan premium on a PMPM basis.

Chart 2

Breakdown of Total Health Plan Premium (PMPM)



⁹ Total health plan premium is the total amount the health plan paid for medical and prescription drug benefits, administrative expenses, taxes and fees, profits and adjusts for manufacturer rebates. Total health plan premium excludes member cost sharing.

Table 1 shows the portion of total health plan premiums spent on prescription drugs in 2019, which exceeded \$9.6 billion. These expenses represented 12.8% of total health plan premiums. Medical expenses made up 74.2%, or almost \$55.8 billion, of total health plan premiums. Medical expenses increased by 5.2% since 2018, a lower rate than prescription drug expenses. Health plan profit increased by 27.5% and taxes and fees decreased by 22.3%. Administrative expenses increased by 13.5% and commissions decreased by 4.7%. Manufacturer drug rebates increased by almost 14% in 2019 and totaled approximately \$1.205 billion in 2019 compared to \$1.058 billion in 2018. These rebates helped mitigate some of the overall impact of rising prescription drug prices by reducing total health plan premiums by 1.6% in 2019.

Table 1

Impact of Prescription Drugs on Premiums (in millions)¹⁰

Category of Premium Payment	2019	Percentage of Premium	2018	Percentage of Premium	YOY ¹¹ Percentage Change
Prescription Drug Expenses	\$9,622	12.8%	\$9,051	12.7%	6.3%
Medical Expenses	\$55,764	74.2%	\$52,993	74.3%	5.2%
Manufacturer Drug Rebates	(\$1,205)	(1.6%)	(\$1,058)	(1.5%)	13.9%
Administrative Expenses¹²	\$4,059	5.4%	\$3,576	4.9%	13.5%
Commissions	\$1,478	2.0%	\$1,552	2.2%	(4.7%)
Profit	\$3,504	4.7%	\$2,748	3.9%	27.5%
Taxes and Fees	\$1,915	2.5%	\$2,464	3.5%	(22.3%)
Total Health Plan Premium	\$75,137	100.0%	\$71,326	100.0%	5.3%
Member Months (in millions)¹³	149.6		148.0		1.1%

¹⁰ Please note that the sum of the component line items in exhibits may not add up to Total lines due to rounding.

¹¹ “Year-over-Year” measures the change from 2018 to 2019.

¹² Administrative expenses are expenses associated with the overall management and operation of the health plan (e.g. claims processing expenses, salaries and benefits, solicitation fees, etc.).

¹³ Member months is the sum of the total members covered by the health plans for each month over a period of time. If a member is covered in a health plan for 12 months, then the total member months for the coverage period is 12.

Table 2 shows how the total health plan premium was spent on a PMPM basis in 2019 as compared to 2018. Health plans spent \$64.31 PMPM on prescription drugs in 2019, an increase of 5.1% from 2018. Medical expenses increased by 4.1% on a PMPM basis from 2018, a lower rate than prescription drug expenses. Profit increased by 26.1% and taxes and fees decreased by 23.1% on a PMPM basis. Administrative expenses increased by 12.2% and commissions decreased by 5.8% on a PMPM basis. Manufacturer drug rebates were \$8.06 PMPM in 2019 compared to \$7.15 PMPM in 2018.

Table 2

Impact of Prescription Drugs on Premiums by PMPM

Category of Premium Payment	2019	Percentage of Premium	2018	Percentage of Premium	YOY Percentage Change ¹⁴
Prescription Drug Expenses	\$64.31	12.8%	\$61.16	12.7%	5.1%
Medical Expenses	\$372.69	74.2%	\$358.09	74.3%	4.1%
Manufacturer Drug Rebates	(\$8.06)	(1.6%)	(\$7.15)	(1.5%)	12.7%
Administrative Expenses	\$27.12	5.4%	\$24.17	4.9%	12.2%
Commissions	\$9.88	2.0%	\$10.49	2.2%	(5.8%)
Profit	\$23.42	4.7%	\$18.57	3.9%	26.1%
Taxes and Fees	\$12.80	2.5%	\$16.65	3.5%	(23.1%)
Total Health Plan Premium	\$502.16	100.0%	\$481.98	100.0%	4.2%
Member Months (in millions)	149.6		148.0		1.1%

¹⁴ The variance in YOY Percentage Change between Table 1 and Table 2 is attributed to the change in Member Months from 2018 to 2019.

Tables 3 and 4 show the portion of total annual spending on prescription drugs that was spent on generic, brand name, and specialty drugs for 2017, 2018 and 2019. Total annual spending on prescription drugs is the total amount paid by health plans and enrollees for prescription drugs and is not adjusted for any manufacturer rebates.

These tables highlight how specialty drugs account for a small portion of the total drugs prescribed but make up more than half of the total annual spending on prescription drugs. For example, generic drugs accounted for 88.5% of all prescribed drugs but represented only 20.9% (or \$14.96 PMPM) of the total annual spending on prescription drugs in 2019. Conversely, specialty drugs accounted for only 1.5% of all drugs prescribed but represented 56.1% (or \$40.22 PMPM) of the total annual spending on prescription drugs.

As seen on Tables 3 and 4, the volume of prescription drugs by drug category remained relatively consistent from year to year. However, the proportion of the total annual spend increased for specialty drugs and decreased for generic drugs between 2017, 2018, and 2019.

Table 3

Volume of Prescription Drugs and Total Annual Spending on All Prescription Drugs

Category	Generic	Brand Name	Specialty	Overall
Measurement Year - 2019				
2019 Volume of All Prescription Drugs	88.5%	10.0%	1.5%	100.0%
2019 Annual Spending on All Prescription Drugs	20.9%	23.0%	56.1%	100.0%
Measurement Year - 2018				
2018 Volume of All Prescription Drugs	87.0%	11.4%	1.6%	100.0%
2018 Annual Spending on All Prescription Drugs	22.4%	25.0%	52.6%	100.0%
Measurement Year - 2017				
2017 Volume of All Prescription Drugs	87.8%	10.6%	1.6%	100.0%
2017 Annual Spending on All Prescription Drugs	23.6%	24.8%	51.6%	100.0%

Table 4**Total Annual Spending on Prescription Drugs by PMPM**

Category	Generic	Brand Name	Specialty	Overall
Measurement Year - 2019				
2019 Annual Spending on All Prescription Drugs	\$14.96	\$16.50	\$40.22	\$71.68
2019 Number of Prescriptions (in millions)	110.1	12.5	1.9	124.5
2019 Total Member Months for Pharmacy Benefits Carve-in (in millions)				149.6
Measurement Year - 2018				
2018 Annual Spending on All Prescription Drugs	\$15.29	\$17.09	\$35.95	\$68.33
2018 Number of Prescriptions (in millions)	106.7	14.0	1.9	122.6
2018 Total Member Months for Pharmacy Benefits Carve-in (in millions)				148.0
Measurement Year - 2017				
2017 Annual Spending on All Prescription Drugs	\$15.32	\$16.07	\$33.42	\$64.81
2017 Number of Prescriptions (in millions)	104.7	12.6	1.9	119.2
2017 Total Member Months for Pharmacy Benefits Carve-in (in millions)				147.8

IV. 25 Most Frequently Prescribed Drugs

Health plans reported specific data on the 25 most frequently prescribed drugs. This data has been aggregated and is displayed in the charts in Appendix C. In 2019, the 25 most frequently prescribed drugs accounted for approximately 47.4% of all prescribed drugs and approximately 44.9% of the total annual spending on prescription drugs.

The 25 most frequently prescribed drugs accounted for approximately 5.8% of the total health plan premium. The 25 most frequently prescribed generic drugs accounted for 39.7% of all prescriptions but only 4.1% of the total annual spending on prescription drugs and accounted for only 0.3% of the total health plan premium.

In contrast, the 25 most frequently prescribed specialty drugs accounted for only 1% of all prescriptions but 28.3% of the total annual spending on prescription drugs and made up 3.9% of the total health plan premium. Similar trends were observed for measurement year 2018.

Table 5 summarizes the 25 most frequently prescribed drugs by total annual spending on prescription drugs for 2017, 2018, and 2019.

Table 5**25 Most Frequently Prescribed Drugs by Percentage**

Category	25 Most Frequently Prescribed Drugs				All Other Prescribed Drugs	Total
	Generic	Brand Name	Specialty	Subtotal		
Measurement Year - 2019						
2019 Total Percentage of Prescription Drugs	39.7%	6.7%	1.0%	47.4%	52.6%	100.0%
2019 Total Annual Spending on Prescription Drugs	4.1%	12.5%	28.3%	44.9%	55.1%	100.0%
2019 Impact on Total Health Plan Premiums	0.3%	1.6%	3.9%	5.8%	7.0%	12.8%
Measurement Year - 2018						
2018 Total Percentage of Prescription Drugs	39.7%	7.6%	0.9%	48.2%	51.8%	100.0%
2018 Total Annual Spending on Prescription Drugs	4.3%	13.0%	25.9%	43.2%	56.8%	100.0%
2018 Impact on Total Health Plan Premiums	0.3%	1.6%	3.6%	5.5%	7.2%	12.7%
Measurement Year - 2017						
2017 Total Percentage of Prescription Drugs	39.9%	6.8%	1.0%	47.7%	52.3%	100.0%
2017 Total Annual Spending on Prescription Drugs	4.8%	12.6%	25.4%	42.8%	57.2%	100.0%
2017 Impact on Total Health Plan Premiums	0.3%	1.6%	3.6%	5.5%	7.4%	12.9%

Table 6 summarizes the 25 most frequently prescribed drugs by PMPM dollar amounts. The PMPM calculations were made using the total annual health plan spending on prescription drugs, which excludes enrollee cost sharing and is not adjusted for any manufacturer rebates.

Total annual health plan spending on prescription drugs in 2019 was \$64.31 PMPM. Of this amount, the 25 most frequently prescribed generic, brand name, and specialty drugs accounted for \$1.38, \$7.93, and \$19.74 PMPM, respectively. Overall, the 25 most frequently prescribed drugs accounted for \$29.05 PMPM (45.1%) of the total annual health plan spending on prescription drugs in 2019.

In 2018, the total annual health plan spending on prescription drugs was \$61.16 PMPM and the 25 most frequently prescribed drugs accounted for \$26.18 PMPM (42.8%) of the total annual health plan spending on prescription drugs.

Table 6

25 Most Frequently Prescribed Drugs by PMPM

Category	2019 PMPM Amount	2019 Percentage of Total Annual Health Plan Drug Spending	2018 PMPM Amount	2018 Percentage of Total Annual Health Plan Drug Spending
Generic Drugs	\$1.38	2.1%	\$1.32	2.2%
Brand Name Drugs	\$7.93	12.3%	\$7.72	12.6%
Specialty Drugs	\$19.74	30.7%	\$17.14	28.0%
25 Most Frequently Prescribed Drugs Total	\$29.05	45.1%	\$26.18	42.8%
All Other Prescribed Drugs	\$35.26	54.9%	\$34.98	57.2%
Total Annual Health Plan Prescription Drug Spending	\$64.31	100.0%	\$61.16	100.0%

Tables 7a and 7b show the portion of prescription drug costs paid by both health plans and enrollees for 2018 and 2019.

In 2019, total annual spending for prescription drugs for the 25 most frequently prescribed drugs was \$4.82 billion of which \$4.35 billion was paid by health plans and \$475 million was paid by consumers. Health plans paid 90.2% of the total costs for the 25 most frequently prescribed drugs. Health plans paid 97.1%, 88.5%, and 47% of the costs for the 25 most frequently prescribed specialty, brand name, and generic drugs, respectively. Consumers paid 9.8% of the total costs for the 25 most frequently prescribed drugs. Consumers paid 2.9%, 11.5%, and 53% of the total costs of the 25 most frequently prescribed specialty, brand name, and generic drugs, respectively.

In 2018, total annual spending for prescription drugs for the 25 most frequently prescribed drugs was \$4.37 billion of which \$3.87 billion was paid by health plans and \$494 million was paid by consumers. Health plans and consumers paid 88.7% and 11.3% of the total costs for the 25 most frequently prescribed drugs, respectively.

Table 7a

25 Most Frequently Prescribed Drugs by Health Plan and Enrollee Spending

Category	Total Prescription Cost Paid by Health Plans (in millions)		Total Member Cost Sharing (in millions)		Total Annual Spending for Prescription Drugs (in millions)	
	2019	2018	2019	2018	2019	2018
Measurement Year	2019	2018	2019	2018	2019	2018
Generic Drugs	\$207	\$195	\$233	\$245	\$440	\$440
Brand Name Drugs	\$1,187	\$1,142	\$154	\$169	\$1,341	\$1,311
Specialty Drugs	\$2,953	\$2,537	\$88	\$80	\$3,041	\$2,617
25 Most Frequently Prescribed Drugs Total	\$4,347	\$3,874	\$475	\$494	\$4,822	\$4,368
All Other Prescribed Drugs	\$5,275	\$5,177	\$630	\$568	\$5,905	\$5,745
Total for All Drugs	\$9,622	\$9,051	\$1,105	\$1,062	\$10,727	\$10,113

Table 7b**25 Most Frequently Prescribed Drugs by Health Plan and Enrollee Percent of Spending**

Category	2019 Percentage Paid by Health Plans	2019 Percentage Paid by Enrollees	2019 Total Percentage Paid by Health Plans and Enrollees	2018 Percentage Paid by Health Plans	2018 Percentage Paid by Enrollees	2018 Total Percentage Paid by Health Plans and Enrollees
Generic Drugs	47.0%	53.0%	100.0%	44.3%	55.7%	100.0%
Brand Name Drugs	88.5%	11.5%	100.0%	87.1%	12.9%	100.0%
Specialty Drugs	97.1%	2.9%	100.0%	96.9%	3.1%	100.0%
25 Most Frequently Prescribed Drugs Total	90.2%	9.8%	100.0%	88.7%	11.3%	100.0%

V. 25 Most Costly Drugs by Total Annual Spending

This section analyzes the prescription drug information related to the 25 most costly drugs. Charts in Appendix C list the 25 most costly generic, brand name, and specialty drugs.

The 25 most costly drugs by total annual spending accounted for 32.3% of the total number of prescribed drugs and 54.1% of the total annual spending on prescription drugs in 2019. Of the 12.8% of total health plan premium that was spent on prescription drugs, the 25 most costly drugs accounted for 7.1%.

The specialty drugs included in the 25 most costly drugs accounted for only 0.9% of all prescriptions, but they represented 33.2% of the total annual prescription drug spending and approximately 4.6% of the overall total health plan premiums. Conversely, the generic drugs included in the 25 most costly drugs accounted for 25.7% of all prescribed drugs, but only 6.8% of the total annual spending on prescription drugs and 0.7% of health plan premiums.

In 2018, the 25 most costly drugs by total annual spending accounted for 28.8% of the total number of prescribed drugs and 53.3% of the total annual spending on prescription drugs.

Table 8 summarizes the 25 most costly drugs by total annual spending on prescription drugs for 2017, 2018, and 2019.

Table 8**25 Most Costly Prescribed Drugs by Total Annual Spending**

Category	25 Most Costly Prescribed Drugs				All Other Prescribed Drugs	Total
	Generic	Brand Name	Specialty	Subtotal		
Measurement Year - 2019						
2019 Total Percentage of Prescription Drugs	25.7%	5.7%	0.9%	32.3%	67.7%	100.0%
2019 Total Annual Spending on Prescription Drugs	6.8%	14.1%	33.2%	54.1%	45.9%	100.0%
2019 Impact on Total Health Plan Premiums	0.7%	1.8%	4.6%	7.1%	5.7%	12.8%
Measurement Year - 2018						
2018 Total Percentage of Prescription Drugs	21.8%	6.2%	0.8%	28.8%	71.2%	100.0%
2018 Total Annual Spending on Prescription Drugs	7.4%	15.2%	30.7%	53.3%	46.7%	100.0%
2018 Impact on Total Health Plan Premiums	0.8%	1.9%	4.2%	6.9%	5.8%	12.7%
Measurement Year - 2017						
2017 Total Percentage of Prescription Drugs	23.8%	5.9%	0.8%	30.5%	69.5%	100.0%
2017 Total Annual Spending on Prescription Drugs	7.7%	14.3%	30.5%	52.5%	47.5%	100.0%
2017 Impact on Total Health Plan Premiums	0.8%	1.8%	4.3%	6.9%	6.0%	12.9%

The 25 most costly drugs by PMPM dollar amounts are summarized in Table 9. The PMPM calculations were made using the total annual health plan spending on prescription drugs, which excludes enrollee cost sharing and is not adjusted for any manufacturer rebates.

The total annual health plan spending on prescription drugs in 2019 was \$64.31 PMPM. Of this amount, the 25 most costly generic, brand name, and specialty drugs accounted for \$3.50, \$9.11, and \$23.25 PMPM, respectively. Overall, the 25 most costly drugs accounted for \$35.86 PMPM (55.8%) of the total annual health plan spending on prescription drugs in 2019.

In 2018, the total annual health plan spending on prescription drugs was \$61.16 PMPM. Of this amount, the 25 most costly generic, brand name, and specialty drugs accounted for \$3.73, \$9.26, and \$20.40 PMPM, respectively.

Table 9

25 Most Costly Drugs by PMPM

Category	2019 PMPM Amount	2019 Percentage of Total Annual Health Plan Drug Spending	2018 PMPM Amount	2018 Percentage of Total Annual Health Plan Drug Spending
Generic Drugs	\$3.50	5.4%	\$3.73	6.1%
Brand Name Drugs	\$9.11	14.2%	\$9.26	15.1%
Specialty Drugs	\$23.25	36.2%	\$20.40	33.4%
25 Most Costly Drugs Total	\$35.86	55.8%	\$33.39	54.6%
All Other Prescribed Drugs	\$28.45	44.2%	\$27.77	45.4%
Total Annual Health Plan Prescription Drug Spending	\$64.31	100.0%	\$61.16	100.0%

Tables 10a and 10b show the portion of prescription drug costs that were paid by both health plans and enrollees in 2018 and 2019.

For the 25 most costly drugs, health plans paid 92.4% of the costs in 2019. Health plans paid 97.6% of the 25 most costly specialty drugs, 90.2% of the 25 most costly brand name drugs, and 71.6% of the 25 most costly generic drugs. Consumers paid 7.6% of the total costs for the 25 most costly prescription drugs. Consumers paid 2.4% of the cost of the 25 most costly specialty drugs, 9.8% of the costs of the 25 most costly brand name drugs, and 28.4% of the cost of the 25 most costly generic drugs. Health plans spent approximately \$5.4 billion, and enrollees spent an additional \$442 million in member cost sharing at the point of purchase on the top 25 most costly prescription drugs.

In 2018, health plans spent approximately \$4.9 billion, and consumers paid \$437 million in cost sharing at the point of purchase on the top 25 most costly prescription drugs.

Table 10a

25 Most Costly Drugs by Health Plan and Enrollee Spending

Category	Total Prescription Cost Paid by Health Plans (in millions)		Total Member Cost Sharing (in millions)		Total Annual Spending for Prescription Drugs (in millions)	
	2019	2018	2019	2018	2019	2018
Generic Drug	\$524	\$552	\$208	\$191	\$732	\$743
Brand Name Drug	\$1,363	\$1,370	\$149	\$165	\$1,511	\$1,535
Specialty Drug	\$3,479	\$3,019	\$85	\$81	\$3,565	\$3,100
Total	\$5,366	\$4,941	\$442	\$437	\$5,808	\$5,378

Table 10b

25 Most Costly Drugs by Health Plan and Enrollee Percent of Spending

Category	2019 Percentage Paid by Health Plans	2019 Percentage Paid by Enrollees	2019 Total Percentage Paid by Health Plans and Enrollees	2018 Percentage Paid by Health Plans	2018 Percentage Paid by Enrollees	2018 Total Percentage Paid by Health Plans and Enrollees
Generic Drug	71.6%	28.4%	100.0%	74.3%	25.7%	100.0%
Brand Name Drug	90.2%	9.8%	100.0%	89.3%	10.7%	100.0%
Specialty Drug	97.6%	2.4%	100.0%	97.4%	2.6%	100.0%
Total	92.4%	7.6%	100.0%	91.9%	8.1%	100.0%

VI. 25 Drugs with the Highest Year-Over-Year Increase in Total Annual Spending

Table 11 summarizes the 25 drugs with the highest year-over-year increase in total annual spending for 2017, 2018, and 2019. The 25 specialty drugs with the highest year-over-year increase in spending accounted for 22.3% of the total annual spending on prescription drugs. The 25 brand name drugs with the highest year-over-year increase in spending accounted for 8.8% of the total annual spending on prescription drugs. The 25 generic drugs with the highest year-over-year increase accounted for only 4.1% of the total annual spending on prescription drugs.

Overall, the 25 drugs with the highest year-over-year increases in spending accounted for 35.2% of the total annual spending on prescription drugs. In 2018, the 25 drugs with the highest year-over-year increases in spending accounted for 39% of the total annual spending on prescription drugs.

Since health plan reporting did not include specific data on the change in volume of prescription drugs, the DMHC is unable to discern whether the 25 drugs with the highest year-over-year increase in spending is due to increases in drug prices, increases in the volume of prescriptions, or some combination of both.

Table 11

25 Drugs with Highest Year-Over-Year Increase in Total Annual Spending on Prescription Drugs

Category	25 Drugs with Highest Year-Over-Year Increase				All Other Prescribed Drugs	Total
	Generic	Brand Name	Specialty	Subtotal		
Measurement Year - 2019						
Total Annual Spending on Prescription Drugs with highest year-over-year increase from 2018 to 2019	4.1%	8.8%	22.3%	35.2%	64.8%	100.0%
Measurement Year - 2018						
Total Annual Spending on Prescription Drugs with highest year-over-year increase from 2017 to 2018	3.8%	11.0%	24.2%	39.0%	61.0%	100.0%
Measurement Year - 2017						
Total Annual Spending on Prescription Drugs with highest year-over-year increase from 2016 to 2017	4.7%	10.7%	24.2%	39.6%	60.4%	100.0%

VII. Conclusion

The impact of prescription drug costs on health plan premiums is significant. Health plans paid over \$9.6 billion for prescription drugs in 2019, up from approximately \$9.1 billion in 2018 and \$8.7 billion in 2017. Additionally, consumers spent \$1.1 billion for prescription drugs in 2019 in out-of-pocket costs, up from approximately \$1.06 billion in 2018 and \$0.91 billion in 2017. Since 2017, prescription drug costs paid by health plans increased by almost \$1 billion. Prescription drug costs paid by health plans accounted for 12.8% of the total health plan premium in 2019 consistent from 2017. This amount is primarily related to the cost of specialty drugs.

Overall, specialty drugs accounted for 1.5% of the total number of drugs prescribed, but 56.1% of the total annual spending on prescription drugs. Generic drugs made up 88.5% of all the drugs prescribed in 2019, but represented only 20.9% of total annual spending on prescription drugs. Brand name drugs made up 10% of all the drugs prescribed in 2019, and represented 23% of total spending on prescriptions drugs.

Generally, the proportion of volume by drug category remained relatively consistent from 2017 to 2019. The proportion of the total annual spend increased for specialty drugs and decreased for generic drugs from 2017 through 2019.

This is the third annual report the DMHC has prepared on prescription drug costs. The report provides important information on the impact of prescription drug costs on health care premiums. The DMHC will continue to collect and report annually the data required by SB 17, which will enable the public to understand how prescription drugs impact health care premiums over time.

Intentionally Left Blank

Appendices

to the

Prescription Drug Cost Transparency Report

Measurement Year 2019

Intentionally Left Blank

Appendix A:

Summary of Data Limitations, Data Aggregation, Methods, and Assumptions

In developing this report, the DMHC relied on data and information provided by 25 health care service plans. The DMHC did not audit the data sources for accuracy; however, the DMHC reviewed them for reasonableness.

Each health care service plan provided a list of its 25 most frequently prescribed drugs, its 25 most costly drugs, and the 25 drugs with the highest dollar increases in spending from 2018 to 2019. This data was provided separately for generic, brand name, and specialty drugs. In total, each health care service plan provided nine lists of drugs, each with 25 entries.

The lists of drugs provided by the health care service plans were aggregated by prescription drug name. In addition to the drug name, the health plans provided National Drug Codes (NDC) for each drug. The NDCs were cross-referenced against the drug name to ensure names of drugs were aggregated appropriately.

Two common inconsistencies were observed when aggregating the drugs by name and cross-referencing the NDC. First, two drugs with the same NDCs may have been given different variations of a name by different health plans. For example, Health Plan A assigns the drug name for a group of NDCs as Advair while Health Plan B assigns the name Advair Diskus to the same set of NDCs. In this case, it was assumed these two health plans were referencing the same drug and were given a common name (e.g., Advair). Second, for a given set of NDC codes, two health plans may have assigned a varying number of drug names. For instance, Health Plan A references a given set of NDCs as Metformin while Health Plan B separates those same NDCs between Metformin HCL and Metformin HCL ER. In this case, because Health Plan A's list does not provide the additional breakdown, we use a common name (e.g., Metformin).

In the process of aggregating the data, a program was used to cross-reference differing drug names which referenced the same NDCs. Manual checks were then performed to ensure that drugs with naming inconsistencies were combined appropriately.

Once aggregated, the prescription drugs were sorted by the total number of prescriptions for the 25 most frequently prescribed drugs, the total annual prescription drug spending in 2019 for the 25 most costly drugs, and the total dollar amount increase in spending from 2018 to 2019 for the 25 drugs with the highest increase. From there, the top 25 drugs were selected from each category. These appear in Appendix C. The analysis within this report is related to the drugs on those lists.

It should be noted that, because only a top 25 list was provided by the health plans, the analysis is not based on total spending and prescriptions by these health plans. For instance, if one health plan had a drug at number 17 on its list and another health plan had it at 28, the spending and prescriptions for that second health plan would not have been provided. However, given that over 82% of the market is dominated by three health plans and that across all nine lists, the 25th drug is approximately 0.7% of total prescription drug spending and less than 1% of spending within its respective generic, brand name, or specialty drug class, the DMHC believes the analysis is representative of the prescription drug market in the state of California.

Appendix A:

Summary of Data Limitations, Data Aggregation, Methods, and Assumptions

Each prescription drug name was also associated with a therapy class relating to the therapeutic category in line with the United States Pharmacopeia standards. While some health plans provided this information, others left this field blank or referenced other therapeutic classes. For consistency, the top 25 drugs were manually assigned a therapy class as shown in the charts in Appendix C.

The health plans aggregated total costs of drugs and total number of prescriptions by generic, brand name, and specialty drugs as well as the total amount the health plan paid in aggregate for generic, brand name, and specialty drugs.

The health plans also provided their medical expenses, manufacturer rebates, administrative expenses, commissions, taxes and fees, and profit which allowed the DMHC to develop a total premium value.

Appendix B:

List of Health Plans Required to File Pursuant to SB 17

#	Health Plan Name
1	Aetna Health of California, Inc.
2	Alameda Alliance For Health
3	Blue Cross of California (Anthem Blue Cross)
4	California Physicians' Service (Blue Shield of California)
5	Chinese Community Health Plan
6	Cigna HealthCare of California, Inc.
7	Community Care Health Plan, Inc.
8	Contra Costa County Medical Services (Contra Costa Health Plan)
9	Health Net of California, Inc.
10	Kaiser Foundation Health Plan, Inc. (Kaiser Permanente)
11	Local Initiative Health Authority For Los Angeles County (L.A. Care Health Plan)
12	Memorial Care Select Health Plan (formally known as Seaside Health Plan)
13	Molina Healthcare of California
14	Oscar Health Plan of California
15	San Francisco Community Health Authority
16	San Mateo Health Commission (Health Plan of San Mateo)
17	Santa Clara County (Valley Health Plan)
18	Santa Cruz-Monterey-Merced Managed Medical Care Commission (Central California Alliance for Health)
19	Scripps Health Plan Services, Inc.
20	Sharp Health Plan
21	Sutter Health Plan (Sutter Health Plus)
22	UHC of California (UnitedHealthcare of California)
23	UnitedHealthcare Benefits Plan of California
24	Ventura County Health Care Plan
25	Western Health Advantage, Inc.

Appendix C:

Lists of Prescription Drugs

25 Most Frequently Prescribed Generic Drugs

Rank	Prescription Drug Name	Therapy Class
1	ATORVASTATIN	Cardiovascular Agents
2	LISINOPRIL	Cardiovascular Agents; Central Nervous System Agents
3	METFORMIN	Blood Glucose Regulators
4	LEVOTHYROXINE	Hormonal Agents - Thyroid
5	AMLODIPINE	Cardiovascular Agents
6	LOSARTAN	Cardiovascular Agents
7	HYDROCHLOROTHIAZIDE	Cardiovascular Agents
8	IBUPROFEN	Analgesics; Anti-Inflammatory Agents
9	OMEPRAZOLE	Gastrointestinal Agents
10	AMOXICILLIN	Antibacterials
11	HYDROCODONE	Analgesics
12	SIMVASTATIN	Cardiovascular Agents
13	METOPROLOL	Cardiovascular Agents
14	GABAPENTIN	Anticonvulsants
15	SERTRALINE	Antidepressants
16	MONTELUKAST	Respiratory Tract/Pulmonary Agents
17	GLIPIZIDE	Blood Glucose Regulators
18	ATENOLOL	Cardiovascular Agents
19	PREDNISONE	Genitourinary Agents; Hormonal Agents - Adrenal; Inflammatory Bowel Disease Agents
20	TRAZODONE	Antidepressants
21	JUNEL	Contraceptives
22	ESCITALOPRAM	Antidepressants
23	SILDENAFIL	Respiratory Tract/Pulmonary Agents
24	AZITHROMYCIN	Antibacterials
25	BUPROPION	Antidepressants

Appendix C:

Lists of Prescription Drugs

25 Most Frequently Prescribed Brand Name Drugs

Rank	Prescription Drug Name	Therapy Class
1	VENTOLIN	Respiratory Tract/Pulmonary Agents
2	HUMULIN	Blood Glucose Regulators
3	SYNTHROID	Hormonal Agents - Thyroid
4	ADVAIR	Respiratory Tract/Pulmonary Agents
5	ALVESCO	Respiratory Tract/Pulmonary Agents
6	HUMALOG	Blood Glucose Regulators
7	NUVARING	Contraceptives; Hormonal Agents - Sex Hormones/Modifiers
8	LANTUS	Blood Glucose Regulators
9	ADDERALL	Central Nervous System Agents
10	VYVANSE	Central Nervous System Agents
11	K-TAB	Gastrointestinal Agents
12	JARDIANCE	Blood Glucose Regulators
13	JANUVIA	Blood Glucose Regulators
14	ONETOUCH	Glucose Testing Supplies
15	ESTRADIOL	Hormonal Agents - Sex Hormones/Modifiers
16	RETIN-A	Dermatological Agents
17	QVAR	Inflammatory Bowel Disease Agents; Respiratory Tract/Pulmonary Agents
18	LO LOESTRIN FE	Contraceptives; Hormonal Agents - Sex Hormones/Modifiers
19	FLOVENT	Inflammatory Bowel Disease Agents; Respiratory Tract/Pulmonary Agents
20	FLUCELVAX	Vaccines
21	FLUZONE	Vaccines
22	PRADAXA	Blood Products And Modifiers
23	ARMOUR THYROID	Hormonal Agents - Thyroid
24	PROAIR	Respiratory Tract/Pulmonary Agents
25	NOVOLOG	Blood Glucose Regulators

Appendix C:

Lists of Prescription Drugs

25 Most Frequently Prescribed Specialty Drugs

Rank	Prescription Drug Name	Therapy Class
1	TRUVADA	Antivirals
2	HUMIRA	Immunological Agents
3	ENBREL	Immunological Agents
4	GENVOYA	Antivirals
5	BIKTARVY	Antivirals
6	TRULICITY	Blood Glucose Regulators
7	LATUDA	Antipsychotics
8	DESCOVY	Antivirals
9	VICTOZA	Blood Glucose Regulators
10	TRIUMEQ	Antivirals
11	OTEZLA	Dermatological Agents; Immunological Agents
12	ODEFSEY	Antivirals
13	HUMALOG	Blood Glucose Regulators
14	COSENTYX	Dermatological Agents; Immunological Agents
15	TIVICAY	Antivirals
16	DUPIXENT	Dermatological Agents; Immunological Agents
17	XIFAXAN	Antibacterials
18	VIMPAT	Anticonvulsants
19	OZEMPIC	Blood Glucose Regulators
20	VEMLIDY	Antivirals
21	ZARXIO	Blood Products And Modifiers
22	STELARA	Immunological Agents
23	XELJANZ	Immunological Agents
24	REXULTI	Antipsychotics
25	PREZCOBIX	Antivirals

Appendix C:

Lists of Prescription Drugs

25 Most Costly Generic Drugs by Total Annual Spending

Rank	Prescription Drug Name	Therapy Class
1	ATORVASTATIN	Cardiovascular Agents
2	LEVOTHYROXINE	Hormonal Agents - Thyroid
3	DEXTROAMPHETAMINE	Central Nervous System Agents
4	ROSUVASTATIN	Cardiovascular Agents
5	BUPROPION	Antidepressants
6	DICLOFENAC	Anti-Inflammatory Agents; Analgesics; Dermatological Agents
7	ESTRADIOL	Hormonal Agents - Sex Hormones/Modifiers
8	METHYLPHENIDATE	Central Nervous System Agents
9	OSELTAMIVIR	Antivirals
10	MESALAMINE	Inflammatory Bowel Disease Agents
11	TESTOSTERONE	Hormonal Agents - Sex Hormones/Modifiers
12	CLOBETASOL	Hormonal Agents- Adrenal; Dermatological Agents; Inflammatory Bowel Disease Agents
13	AMLODIPINE	Cardiovascular Agents
14	METFORMIN	Blood Glucose Regulators
15	LISINOPRIL	Cardiovascular Agents; Central Nervous System Agents
16	PORTIA	Contraceptives
17	ERTUGLIFLOZIN PIDOLATE	Respiratory Tract/Pulmonary Agents
18	COLCHICINE	Antigout Agents
19	IBUPROFEN	Analgesics; Anti-Inflammatory Agents
20	JUNEL	Contraceptives
21	DOXYCYCLINE	Dental And Oral Agents; Antibacterials
22	GABAPENTIN	Anticonvulsants
23	HYDROCODONE	Analgesics
24	ARIPIPRAZOLE	Antidepressants; Antipsychotics
25	SPRINTEC	Contraceptives

Appendix C:

Lists of Prescription Drugs

25 Most Costly Brand Name Drugs by Total Annual Spending

Rank	Prescription Drug Name	Therapy Class
1	HUMALOG	Blood Glucose Regulators
2	ADVAIR	Respiratory Tract/Pulmonary Agents
3	JARDIANCE	Blood Glucose Regulators
4	LANTUS	Blood Glucose Regulators
5	JANUVIA	Blood Glucose Regulators
6	VYVANSE	Central Nervous System Agents
7	HUMULIN	Blood Glucose Regulators
8	NUVARING	Contraceptives; Hormonal Agents - Sex Hormones/Modifiers
9	VENTOLIN	Respiratory Tract/Pulmonary Agents
10	RESTASIS	Ophthalmic Agents
11	ELIQUIS	Blood Products And Modifiers
12	XARELTO	Blood Products And Modifiers
13	TRULICITY	Blood Glucose Regulators
14	PRADAXA	Blood Products And Modifiers
15	ADDERALL	Central Nervous System Agents
16	LYRICA	Anticonvulsants; Central Nervous System Agents
17	LIALDA	Inflammatory Bowel Disease Agents
18	TRADJENTA	Blood Glucose Regulators
19	CONCERTA	Central Nervous System Agents
20	FLOVENT	Inflammatory Bowel Disease Agents; Respiratory Tract/Pulmonary Agents
21	LO LOESTRIN FE	Contraceptives; Hormonal Agents - Sex Hormones/Modifiers
22	ALVESCO	Respiratory Tract/Pulmonary Agents
23	INVOKANA	Blood Glucose Regulators; Inflammatory Bowel Disease Agents
24	BREO	Respiratory Tract/Pulmonary Agents
25	CHANTIX	Anti-Addiction/Substance Abuse Treatment Agents

Appendix C:

Lists of Prescription Drugs

25 Most Costly Specialty Drugs by Total Annual Spending

Rank	Prescription Drug Name	Therapy Class
1	HUMIRA	Immunological Agents
2	TRUVADA	Antivirals
3	ENBREL	Immunological Agents
4	GENVOYA	Antivirals
5	STELARA	Immunological Agents
6	BIKTARVY	Antivirals
7	REVLIMID	Antineoplastics
8	COSENTYX	Dermatological Agents; Immunological Agents
9	TRIUMEQ	Antivirals
10	IBRANCE	Antineoplastics
11	OTEZLA	Dermatological Agents; Immunological Agents
12	ODEFSEY	Antivirals
13	TECFIDERA	Central Nervous System Agents
14	DUPIXENT	Dermatological Agents; Immunological Agents
15	DESCOVY	Antivirals
16	SPRYCEL	Antineoplastics
17	LATUDA	Antipsychotics
18	TAGRISSE	Antineoplastics
19	XELJANZ	Immunological Agents
20	IMBRUVICA	Antineoplastics
21	TRULICITY	Blood Glucose Regulators
22	TIVICAY	Antivirals
23	NUTROPIN	Hormonal Agents, Stimulant/Replacement/Modifying - Pituitary
24	EPCLUSA	Antivirals
25	GILENYA	Central Nervous System Agents

Appendix C:

Lists of Prescription Drugs

25 Generic Drugs with the Highest Year-Over-Year Increase in Total Spending

Rank	Prescription Drug Name	Therapy Class
1	TESTOSTERONE	Hormonal Agents - Sex Hormones/Modifiers
2	JUNEL	Contraceptives
3	TADALAFIL	Genitourinary Agents; Sexual Disorder Agents
4	PORTIA	Contraceptives
5	DICLOFENAC	Anti-Inflammatory Agents; Analgesics; Dermatological Agents
6	ROSUVASTATIN	Cardiovascular Agents
7	WIXELA	Bronchodilators, Sympathomimetic
8	ESTRADIOL	Hormonal Agents - Sex Hormones/Modifiers
9	MESALAMINE	Inflammatory Bowel Disease Agents
10	BUPRENORPHINE	Anti-Addiction/Substance Abuse Treatment Agents; Analgesics
11	ALBUTEROL	Respiratory Tract/Pulmonary Agents
12	FLUTICASONE	Dermatological Agents; Respiratory Tract/Pulmonary Agents
13	AMLODIPINE	Cardiovascular Agents
14	VARDENAFIL	Sexual Disorder Agents
15	OLMESARTAN	Cardiovascular Agents
16	ADAPALENE	Dermatological Agents
17	ATORVASTATIN	Cardiovascular Agents
18	GAVILYTE	Blood Glucose Regulators; Gastrointestinal Agents
19	SEVELAMER	Electrolytes/Minerals/Metals/Vitamins
20	ERTUGLIFLOZIN PIDOLATE	Respiratory Tract/Pulmonary Agents
21	HYDROXY- CHLOROQUINE	Antiparasitics
22	DEXTROAMPHETAMINE	Central Nervous System Agents
23	PIMECROLIMUS	Dermatological Agents; Immunological Agents
24	DROSPIRENONE	Contraceptives
25	ANUCORT	Dermatological Agents

Appendix C:

Lists of Prescription Drugs

25 Brand Name Drugs with the Highest Year-Over-Year Increase in Total Spending

Rank	Prescription Drug Name	Therapy Class
1	JARDIANCE	Blood Glucose Regulators
2	ALVESCO	Respiratory Tract/Pulmonary Agents
3	ELIQUIS	Blood Products And Modifiers
4	TRULICITY	Blood Glucose Regulators
5	OZEMPIC	Blood Glucose Regulators
6	AIMOVIG	Antimigraine Agents
7	PRADAXA	Blood Products And Modifiers
8	SHINGRIX	Vaccines
9	VYVANSE	Central Nervous System Agents
10	RESTASIS	Ophthalmic Agents
11	NARCAN	Anti-Addiction/Substance Abuse Treatment Agents
12	XARELTO	Blood Products And Modifiers
13	FARXIGA	Blood Glucose Regulators
14	BYDUREON	Blood Glucose Regulators
15	TRINTELLIX	Antidepressants
16	VENTOLIN	Respiratory Tract/Pulmonary Agents
17	ENTRESTO	Cardiovascular Agents
18	LINZESS	Gastrointestinal Agents
19	JANUVIA	Blood Glucose Regulators
20	HUMALOG	Blood Glucose Regulators
21	EMGALITY	Antimigraine Agents
22	BRILINTA	Blood Products And Modifiers
23	CHANTIX	Anti-Addiction/Substance Abuse Treatment Agents
24	BASAGLAR	Blood Glucose Regulators
25	VASCEPA	Cardiovascular Agents

Appendix C:

Lists of Prescription Drugs

25 Specialty Drugs with the Highest Year-Over-Year Increase in Total Spending

Rank	Prescription Drug Name	Therapy Class
1	HUMIRA	Immunological Agents
2	BIKTARVY	Antivirals
3	STELARA	Immunological Agents
4	COSENTYX	Dermatological Agents; Immunological Agents
5	TRUVADA	Antivirals
6	DUPIXENT	Dermatological Agents; Immunological Agents
7	XELJANZ	Immunological Agents
8	OTEZLA	Dermatological Agents; Immunological Agents
9	TAGRISO	Antineoplastics
10	TRULICITY	Blood Glucose Regulators
11	REVLIMID	Antineoplastics
12	OZEMPIC	Blood Glucose Regulators
13	JYNARQUE	Electrolytes; Minerals; Metals; Vitamins
14	SYMTUZA	Antivirals
15	ABIRATERONE	Antineoplastics
16	IMBRUVICA	Antineoplastics
17	KOVALTRY	Blood Products And Modifiers
18	TALTZ	Immunological Agents
19	IBRANCE	Antineoplastics
20	TREMFYA	Immunological Agents
21	LENVIMA	Antineoplastics
22	TAKHZYRO	Immunological Agents
23	JULUCA	Antivirals
24	SYMFI	Antivirals
25	SYMDEKO	Respiratory Agents - Misc.

Appendix D:

Senate Bill 17 Text

Health and Safety Code § 1367.243.

- (a) (1) A health care service plan that reports rate information pursuant to Section 1385.03 or 1385.045 shall report the information described in paragraph (2) to the department no later than October 1 of each year, beginning October 1, 2018.
- (2) For all covered prescription drugs, including generic drugs, brand name drugs, and specialty drugs dispensed at a plan pharmacy, network pharmacy, or mail order pharmacy for outpatient use, all of the following shall be reported:
- (A) The 25 most frequently prescribed drugs.
 - (B) The 25 most costly drugs by total annual plan spending.
 - (C) The 25 drugs with the highest year-over-year increase in total annual plan spending.
- (b) The department shall compile the information reported pursuant to subdivision (a) into a report for the public and legislators that demonstrates the overall impact of drug costs on health care premiums. The data in the report shall be aggregated and shall not reveal information specific to individual health care service plans.
- (c) For the purposes of this section, a “specialty drug” is one that exceeds the threshold for a specialty drug under the Medicare Part D program (Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (Public Law 108-173)).
- (d) By January 1 of each year, beginning January 1, 2019, the department shall publish on its Internet Web site the report required pursuant to subdivision (b).
- (e) After the report required in subdivision (b) is released, the department shall include the report as part of the public meeting required pursuant to subdivision (b) of Section 1385.045.
- (f) Except for the report required pursuant to subdivision (b), the department shall keep confidential all of the information provided to the department pursuant to this section, and the information shall be protected from public disclosure.

Appendix E:

Glossary

Administrative Expenses/Costs: Business expenses associated with general administration, agents/brokers fees and commissions, direct sales salaries, workforce salaries and benefits, loss adjustment expenses, cost containment expenses, and community benefit expenditures. (Federal MLR definition: 45 CFR 158.160, https://www.ecfr.gov/cgi-bin/text-idx?SID=6ea1241a2b8614a67ad2f095f440d710&mc=true&node=se45.1.158_1160&rgn=div8.)

Allowed Dollar Amount: Total payments made under the policy to health care providers on behalf of covered members, including payments made by issuers and member cost sharing. (Healthcare.gov Glossary, <https://www.healthcare.gov/glossary/allowed-amount/>.)

Annual Plan Spending: Total payments made under the policy to health care providers on behalf of covered members, including payments made by issuers and member cost sharing = Allowed Dollar Amount. (Healthcare.gov Glossary, <https://www.healthcare.gov/glossary/allowed-amount/>.) In this report, the terms “Prescription Drug Spending” and “Medical Claim Spending” are used to describe these components of Annual Plan Spending.

Biological Product: Biological products are regulated by the Food and Drug Administration (FDA) and are used to diagnose, prevent, treat, and cure diseases and medical conditions. Biological products are a diverse category of products and are generally large, complex molecules. These products may be produced through biotechnology in a living system. (FDA, <https://www.fda.gov/Drugs/DevelopmentApprovalProcess/HowDrugsareDevelopedandApproved/ApprovalApplications/TherapeuticBiologicApplications/Biosimilars/ucm580419.htm>.)

Biosimilar Product: A biosimilar is a biological product that is highly similar to and has no clinically meaningful differences from an existing FDA-approved reference product. Treated in this report as Generic, unless the plan- or insurer-negotiated monthly cost exceeds the threshold for a Specialty Drug. (FDA, <https://www.fda.gov/Drugs/DevelopmentApprovalProcess/HowDrugsareDevelopedandApproved/ApprovalApplications/TherapeuticBiologicApplications/Biosimilars/ucm580419.htm>.)

Brand Name Drug: Medications protected by patents that grant their makers exclusive marketing rights for several years. When patents expire, other manufacturers can sell generic copies at lower prices. (AARP Medicare Part D Glossary, https://www.aarp.org/health/medicare-insurance/info-11-2009/Medicare_partD_guide_glossery.html.)

Dispensed at Pharmacy: Dispensed at a plan pharmacy, network pharmacy, or mail order pharmacy for outpatient use. (SB 17, https://leginfo.ca.gov/faces/billTextClient.xhtml?bill_id=201720180SB17.)

Formulary: List of drugs used to treat patients in a drug benefit plan. Products listed on a formulary are covered for reimbursement at varying levels. (PBMI Drug Glossary, https://www.pbmi.com/PBMI/Services/Drug_Benefit_Glossary/PBMI/Services/Drug_Benefit_Glossary.aspx?hkey=1051faba-063f-4ae3-a95b-70cd0476f1db.)

Appendix E:

Glossary

Generic Drug: A generic drug is a medication created to be the same as an already marketed brand name drug in dosage, form, safety, strength, route of administration, quality, performance characteristics, and intended use. These similarities help to demonstrate bioequivalence, which means that a generic drug works in the same way and provides the same clinical benefit as its brand name version. In other words, a generic drug is an equal substitute for its brand name counterpart. (FDA, <https://www.fda.gov/Drugs/ResourcesForYou/Consumers/QuestionsAnswers/ucm100100.htm>.)

Interchangeable Product: An interchangeable product is a biosimilar product that meets additional requirements outlined by the Biologics Price Competition and Innovation Act. (FDA, <https://www.fda.gov/Drugs/DevelopmentApprovalProcess/HowDrugsareDevelopedandApproved/ApprovalApplications/TherapeuticBiologicApplications/Biosimilars/ucm580419.htm>.)

Mail Order: Licensed pharmacy established to dispense maintenance medications for chronic use in quantities greater than normally purchased at a retail pharmacy. The mail order pharmacy usually uses highly automated equipment so that non-pharmacists perform many routine tasks. As a result, mail order can typically dispense medication at a lower cost per prescription. (PBMI Drug Glossary, https://www.pbmi.com/PBMI/Services/Drug_Benefit_Glossary/PBMI/Services/Drug_Benefit_Glossary.aspx?hkey=1051faba-063f-4ae3-a95b-70cd0476f1db.)

Member Cost Sharing: Total payments made by members under the policy for prescription drugs, including copays, deductibles, and coinsurances = Allowed Dollar Amount – Paid Plan Cost.

National Drug Code (NDC): Numeric system to identify drug products in the United States. A drug's NDC number is often expressed using a 3-segment-number where the first segment identifies the manufacturer, the second identifies the product and strength, and the last identifies the package size and type. (PBMI Drug Glossary, https://www.pbmi.com/PBMI/Services/Drug_Benefit_Glossary/PBMI/Services/Drug_Benefit_Glossary.aspx?hkey=1051faba-063f-4ae3-a95b-70cd0476f1db.)

Number of Prescriptions: A 30-day supply is treated as a unit. Between 1- to 30-day supply is 1 unit, between 31- to 60-day supply is 2 units, and more than a 60-day supply is treated as 3 units.

Paid Dollar Amount: Allowed Dollar Amount minus the member cost-sharing amount = Incurred Costs. (If this term is related to drug cost only, excludes Manufacturer Rebate.)

Paid Plan Claim (Paid Plan Cost): Allowed Dollar Amount minus the member cost-sharing amount = Incurred Costs. (If this term is related to drug cost only, excludes Manufacturer Rebate.)

Appendix E:

Glossary

Pharmacy Benefit Manager (PBM): Organization dedicated to administering prescription benefit management services to employers, health plans, third-party administrators, union groups, and other plan sponsors. A full-service PBM maintains eligibility, adjudicates prescription claims, provides clinical services and customer support, contracts and manages pharmacy networks, and provides management reports. (PBMI Drug Glossary, https://www.pbmi.com/PBMI/Services/Drug_Benefit_Glossary/PBMI/Services/Drug_Benefit_Glossary.aspx?hkey=1051faba-063f-4ae3-a95b-70cd0476f1db.)

Pharmacy Benefits Carve-In: Management of the drug benefit is included with the management of the medical benefit, using a single entity and contract to administer both benefits. (PBMI Drug Glossary, https://www.pbmi.com/PBMI/Services/Drug_Benefit_Glossary/PBMI/Services/Drug_Benefit_Glossary.aspx?hkey=1051faba-063f-4ae3-a95b-70cd0476f1db.)

Pharmacy Benefits Carve-Out: Management of the drug benefit is separate from the management of the medical benefit, using two different entities or two separate contracts to administer the benefits. (PBMI Drug Glossary, https://www.pbmi.com/PBMI/Services/Drug_Benefit_Glossary/PBMI/Services/Drug_Benefit_Glossary.aspx?hkey=1051faba-063f-4ae3-a95b-70cd0476f1db.)

Per Member Per Month (PMPM): Measure used to assess population-based metrics such as cost or utilization, computed by dividing the total monthly cost/utilization/other measure by the total number of member months for the population over a specific time period. (PBMI Drug Glossary, https://www.pbmi.com/PBMI/Services/Drug_Benefit_Glossary/PBMI/Services/Drug_Benefit_Glossary.aspx?hkey=1051faba-063f-4ae3-a95b-70cd0476f1db.)

Prescription Drug: A self-administered drug approved by the FDA for sale to the public through retail or mail order pharmacies that requires a prescription and is not provided for use on an inpatient basis or administered in a clinical setting or by a licensed health care provider. The term includes: (i) disposable devices that are medically necessary for the administration of a covered prescription drug, such as spacers and inhalers for the administration of aerosol outpatient prescription drugs; (ii) syringes for self-injectable prescription drugs that are not dispensed in pre-filled syringes; (iii) drugs, devices, and FDA-approved products covered under the prescription drug benefit of the product pursuant to sections 1367.002 and 1367.25 of the Health and Safety Code, including any such over-the-counter drugs, devices, and FDA-approved products; and (iv) at the option of the health care service plan, any vaccines or other health benefits covered under the prescription drug benefit of the product. (FDA, <https://www.fda.gov/Drugs/ResourcesForYou/Consumers/QuestionsAnswers/ucm100101.htm>.)

Rebate: A partial repayment from pharmaceutical manufacturers to pharmacy benefit managers (PBMs) based on the market share of a targeted drug. Depending on client contract terms, PBMs may share some or all rebates with its clients (e.g., health plans, employer groups, etc.) (PBMI Drug Glossary, https://www.pbmi.com/PBMI/Services/Drug_Benefit_Glossary/PBMI/Services/Drug_Benefit_Glossary.aspx?hkey=1051faba-063f-4ae3-a95b-70cd0476f1db.)

Appendix E:

Glossary

Reference Product: A reference product is the single biological product, already approved by the FDA, against which a proposed biosimilar product is compared. A reference product is approved based on, among other things, a full complement of safety and effectiveness data. Treated in this report as Brand Name or Brand Name Specialty. (FDA, <https://www.fda.gov/Drugs/DevelopmentApprovalProcess/HowDrugsareDevelopedandApproved/ApprovalApplications/TherapeuticBiologicApplications/Biosimilars/ucm580419.htm>.)

Retail: Medications are purchased at a retail pharmacy.

Specialty Drug: A drug with a plan- or insurer-negotiated monthly cost prior to rebate that exceeds the threshold for a specialty drug under the Medicare Part D program (Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (Public Law 108-173)). In 2019, the threshold amount is \$670 for a one-month supply. (SB 17, [please refer to CMS website for update](#).)

DEPARTMENT OF
Managed
Health Care

A green outline of the state of California is positioned behind the text. The word "Managed" is in a smaller blue font, while "Health Care" is in a larger, bold blue font. The green outline of California is partially obscured by the text, with the word "Health" overlapping the left side and "Care" overlapping the right side.