

SB 17: Prescription Drug Costs

July 31, 2019

Pritika Dutt

Deputy Director, Office of Financial Review

Requirements of SB 17: Prescription Drug Cost Transparency

- Health plans with commercial products must report to the DMHC:
 - 25 most frequently prescribed drugs
 - 25 most costly drugs by total annual spending
 - 25 drugs with highest year-over-year increase in total annual spending
- Health plans must report by October 1, 2018 and annually thereafter.
- DMHC issues an annual report by January 1, with aggregate data.

Prescription Drug Costs for Large Group Market

- Percent of premium attributable to drug costs for the prior year of each category of prescription drugs (e.g. generic, brand name, and specialty).
- Year-over-year increase, as a percentage, in per member, per month costs for each drug category.
- Year-over-year increase in per member, per month costs for drug prices compared to other components of the health care premium.
- Specialty tier formulary list.
- Percent of premium attributable to drugs administered in a doctor's office that are covered under the medical benefit as separate from the pharmacy benefit, if available.
- Information on use of a pharmacy benefit manager.

SB 17 Reporting Parameters and Limitations

- Plan reporting is limited to prescription drug costs associated with the pharmacy benefit.
- Does not include prescription drug costs for inpatient drugs (hospital) or costs borne by delegated medical groups.
- Does not include prescription drug costs for self-funded arrangements, Medi-Cal Managed Care, Medicare Advantage and plans/insurers not regulated by the DMHC.
- Includes information from 25 health plans covering approximately 12.3 million Californians.

SB 17 Key Findings

- Health plans paid nearly \$8.7 billion for prescription drugs administered through the pharmacy benefit in 2017.
- Prescription drugs accounted for 13.1% of total health plan premiums.
- Manufacturer drug rebates accounted for approximately \$915 million or about 10.5% of the \$8.7 billion spent on prescription drugs.

SB 17 Key Findings

- While specialty drugs accounted for 1.6% of all prescription drugs, they accounted for over half (51.5%) of total annual spending on prescription drugs.
- For the 25 most frequently prescribed drugs, enrollees paid approximately 3% of the cost of specialty drugs and over half (56.6%) of the cost of generics.
- The SB 17 Annual Report is available on the DMHC's website at <http://www.healthhelp.ca.gov/>.

Large Group Prescription Drug Cost Reporting Summary

- Prescription drug costs accounted for 11.6% of the total health care premium.
- Specialty drugs represented more than 50% of the total prescription drug spending.
- The average premium increase was 4.1% and 0.8% was attributed to pharmacy cost.
- Percentage of premium attributed to drugs administered in a doctor's office ranged from 2% to 3%.
- 22 of the 24 health plans used Pharmacy Benefit Managers.

Requirements of SB 546 (2015)

Large Group Aggregate Rates

- Requires large group health plans to file aggregate rate information with the DMHC by October 1, 2016, and annually thereafter.
 - The information submitted on October 1, 2018, was for the period of January 1, 2018 – December 31, 2018.
- Requires the DMHC to conduct a public meeting annually to permit a public discussion regarding changes in the rates, benefits and cost sharing in the large group market.

Questions