

# DMHC Reports Impact of Prescriptions on Premiums Decreased

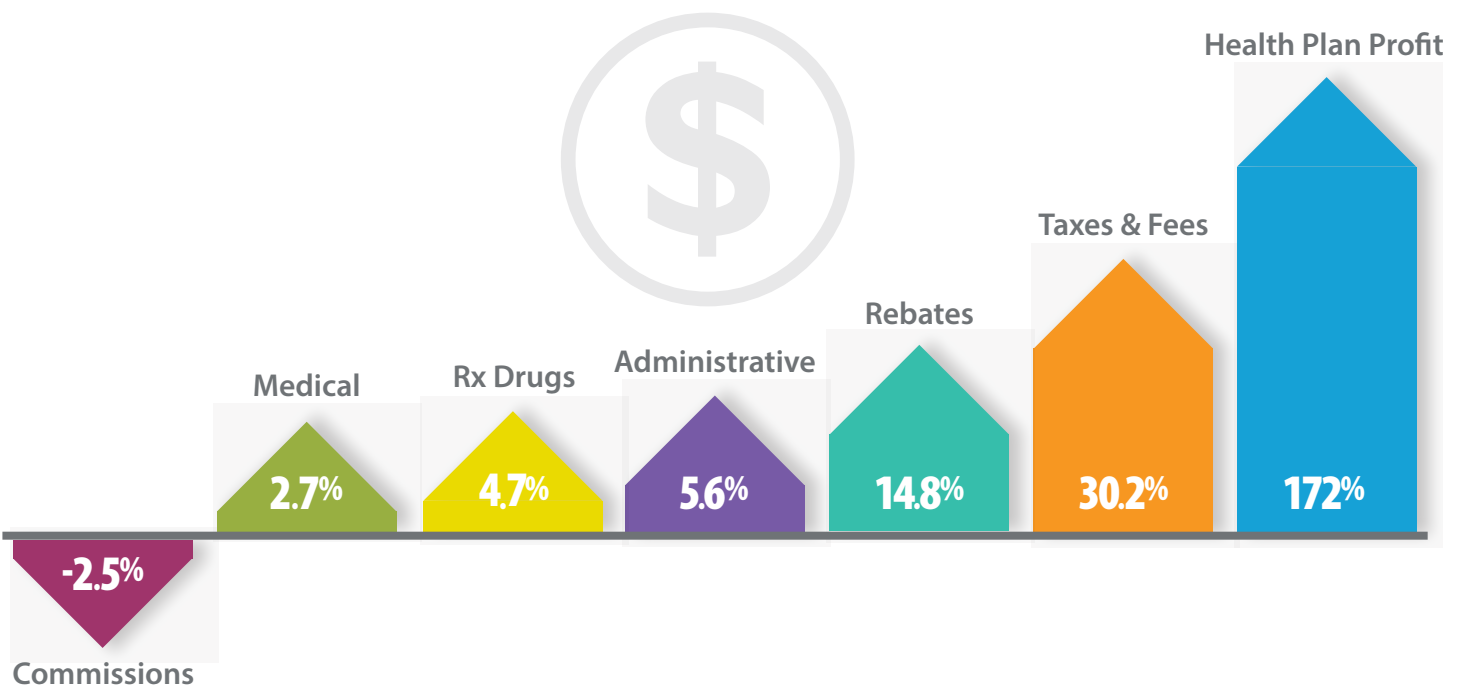
The California Department of Managed Health Care (DMHC) released a report on January 10, 2020 concluding that prescription drug expenditures decreased from 2017 to 2018. The report was compiled based on health plan reporting mandated by Senate Bill 17 which requires health plans and health insurers that file rate information with the DMHC or the California Department of Insurance to annually report specific information related to the costs of covered prescription drugs.

According to the DMHC Report, *“prescription drugs accounted for 12.7 % of total health plan premiums in 2018, a slight decrease from 12.9% in 2017.”*

## Health Premium Expenditures Between 2017 to 2018

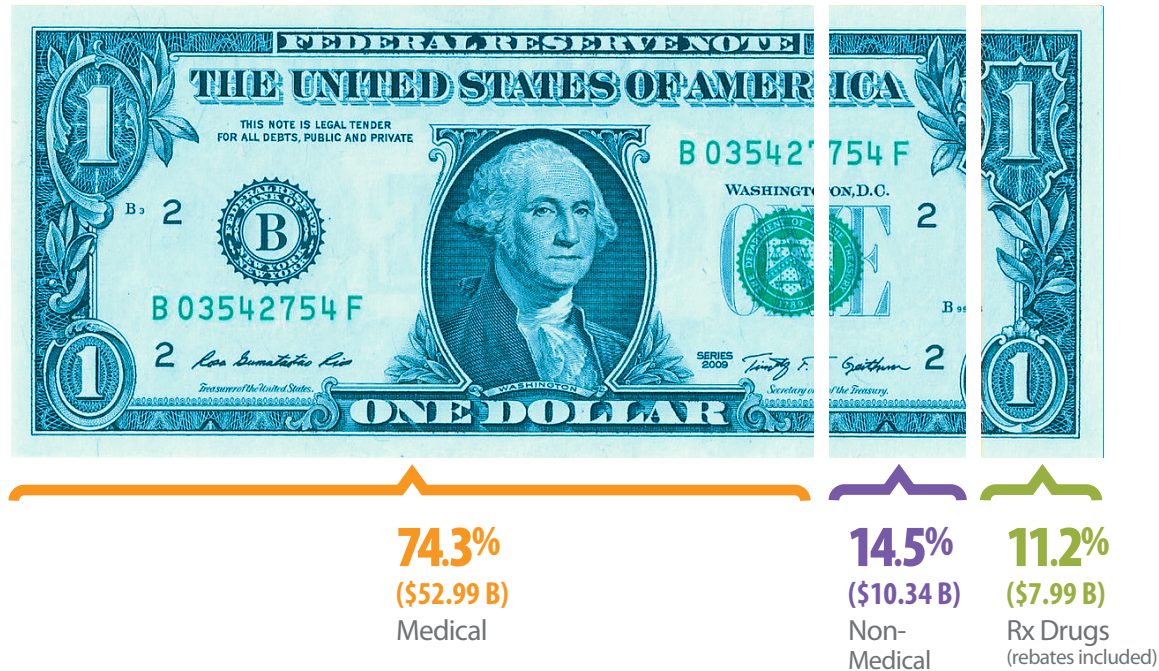
While total health plan premiums increased by 6.2 % between 2017 and 2018, the amount of premium dollars that went to **health plan profits increased by 172%.**

### % of Change in Premium Dollars Between 2017-2018:



## How are Health Plan Premium Dollars Spent?

DMHC found that, in 2018, more of the California premium dollar went to non-medical expenses than it did prescription drugs. In fact, after accounting for rebates, **health plans spent almost \$2.4 billion more toward non-medical expenses than for prescription drugs** in 2018.



## How do Biopharmaceutical Manufacturer Rebates Factor into the Equation?

According to the DMHC report, biopharmaceutical manufacturers offered over **\$1 billion in rebates in 2018**. Unfortunately, these rebates aren't passed on to patients as those rebate savings are often retained by the health plan.

## Medicines Reduce Healthcare Costs and Support Overall Patient Care

Prescription medications increase positive health outcomes. They help patients live healthier lives and reduce the need for more costly health care services. Patients who adhere to their medications enjoy better health outcomes and make less use of emergency room visits, hospital stays, surgeries and long-term care – which results in savings to the health care system overall.

*“No other factor driving the cost of health plan premiums increased as much as the profit margin. Overall, premium costs rose by \$4.14 billion to \$71.33 billion in 2018, and roughly 42 percent of the increase was because insurers took more profit.”*

*- Sacramento Bee article, 2018 DMHC Report, January 14, 2020*