

DMHC Report Shows Health Plan Profit and Non-Medical Expenses Far Exceed Rx Expenditures

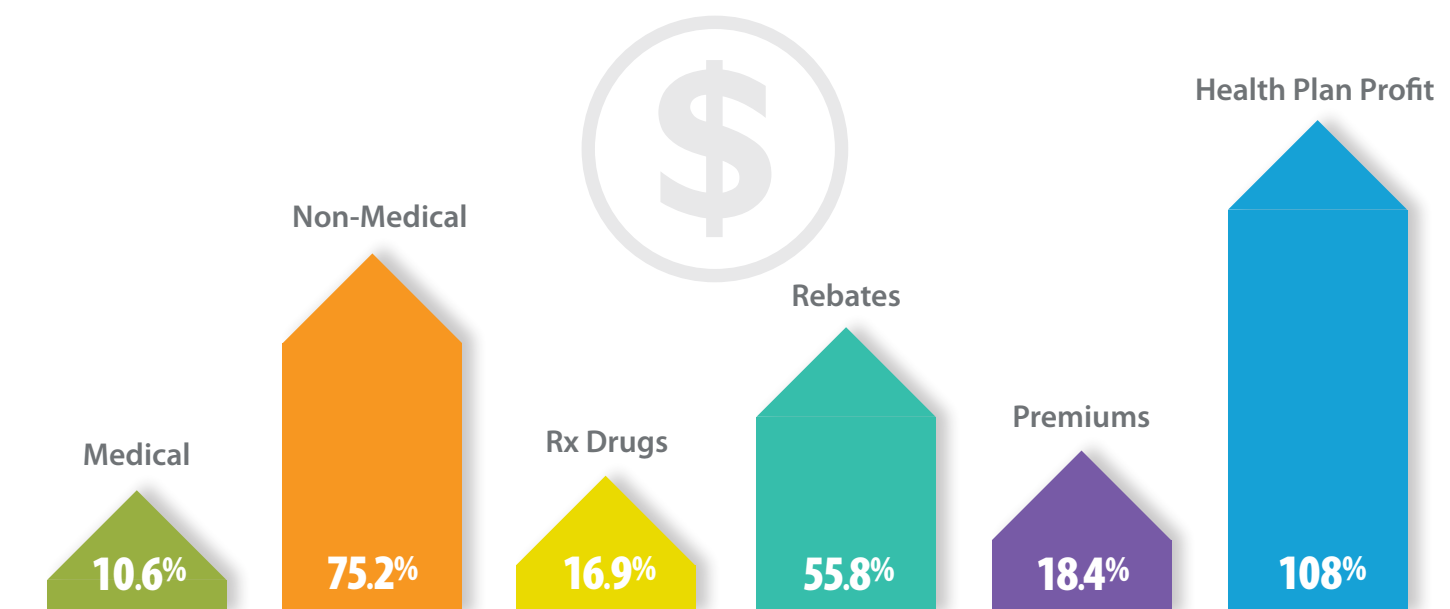
The California Department of Managed Health Care (DMHC) released a report on December 27, 2021 concluding that prescription drug expenditures are nearly the same as they were in 2017. The report was compiled based on health plan reporting mandated by Senate Bill 17 which requires health plans and health 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 2021 DMHC Report, *"Manufacturer drug rebates increased by almost 19.2% in 2020 and totaled approximately \$1.437 billion compared to \$1.205 billion in 2019. These rebates helped mitigate some of the overall impact of rising prescription drug prices by reducing total health plan premiums by 1.8% in 2020."*

Health Premium Expenditures Between 2017 to 2020

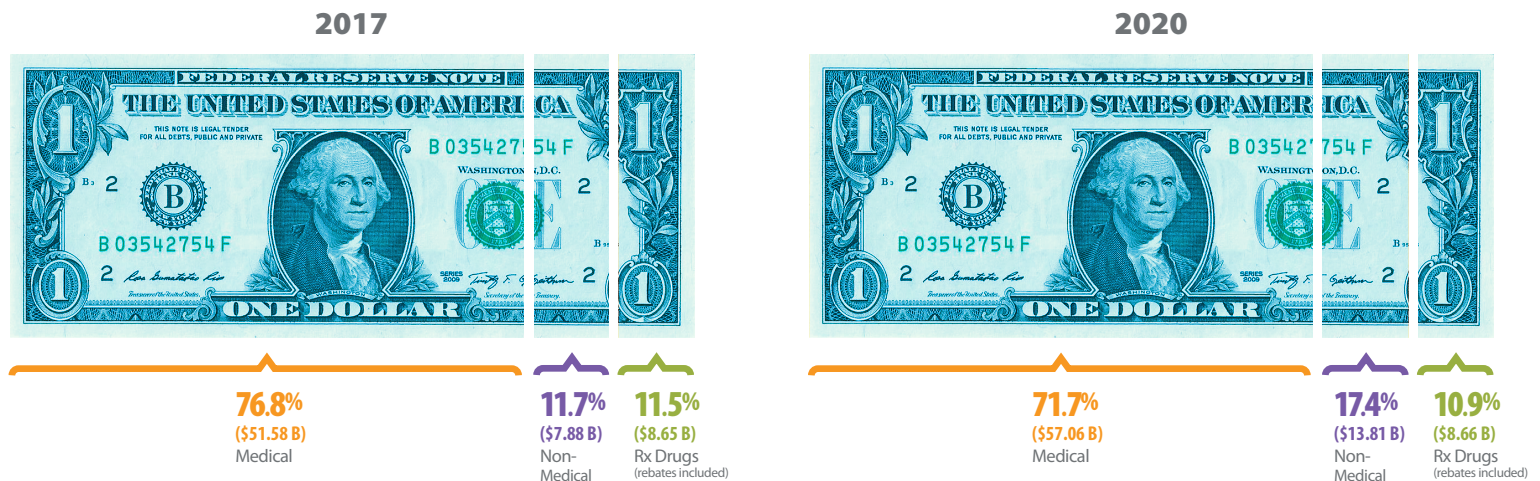
While total health plan premiums increased by 18.4% between 2017 and 2020, the amount of premium dollars that went to **health plan profits increased by 108%**. This is due to the fact that the California premium dollar went to health plans for non-medical expenses and profit rather than prescription drugs.

% of Change Increase in Premium Dollar Expenditures Between 2017-2020:



Health Plans are Spending Less Premium Dollars on Rx Now Than in 2017

DMHC found that, in 2020, 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 \$5.1 billion more toward non-medical expenses than for prescription drugs** in 2020.



How do Biopharmaceutical Manufacturer Rebates Factor into the Equation?

According to the DMHC report, biopharmaceutical manufacturers offered over **\$1.437 billion in rebates in 2020**. Unfortunately, these rebates aren't passed on to patients as those rebate savings are often retained by the health plan or pharmacy benefit managers.

Medicines Reduce Health Care 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.

Biopharmaceutical manufacturer rebates increased by 55.8% between 2017-2020 from \$922 million to \$1.437 billion. If rebates were shared with patients:

- The average diabetic would save \$630 at the pharmacy counter annually.
- The average asthmatic would save \$270 at the pharmacy counter annually.