

DMHC Report Shows that Rx Costs are Lower than Health Plan Profits and Non-Medical Expenditure Growth Between 2017 - 2021

The California Department of Managed Health Care (DMHC) released a report on December 27, 2022 concluding that prescription drug expenditure percentages are lower than 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.

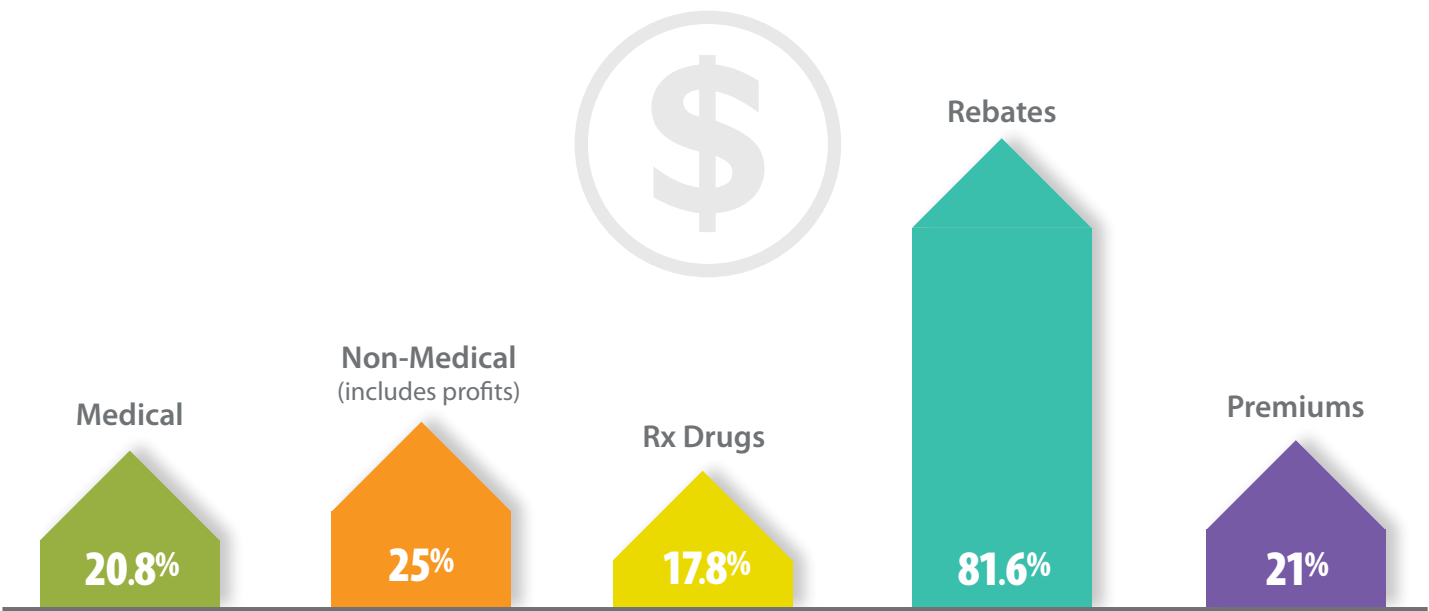
According to the DMHC Report, *“Manufacturer drug rebates increased by almost 16.5% in 2021 and totaled approximately \$1.674 billion compared to \$1.437 billion in 2020. These rebates helped mitigate some of the overall impact of rising prescription drug prices by reducing total health plan premiums by 2.1% in 2021.”*

Health Premium Expenditures Between 2017 to 2021

Total health plan premiums increased by 21% between 2017 and 2021. The amount of premium dollars that went to **health plan profits increased by 25%**. California premium dollars went to health plans for non-medical expenses and profit, not prescription drugs.

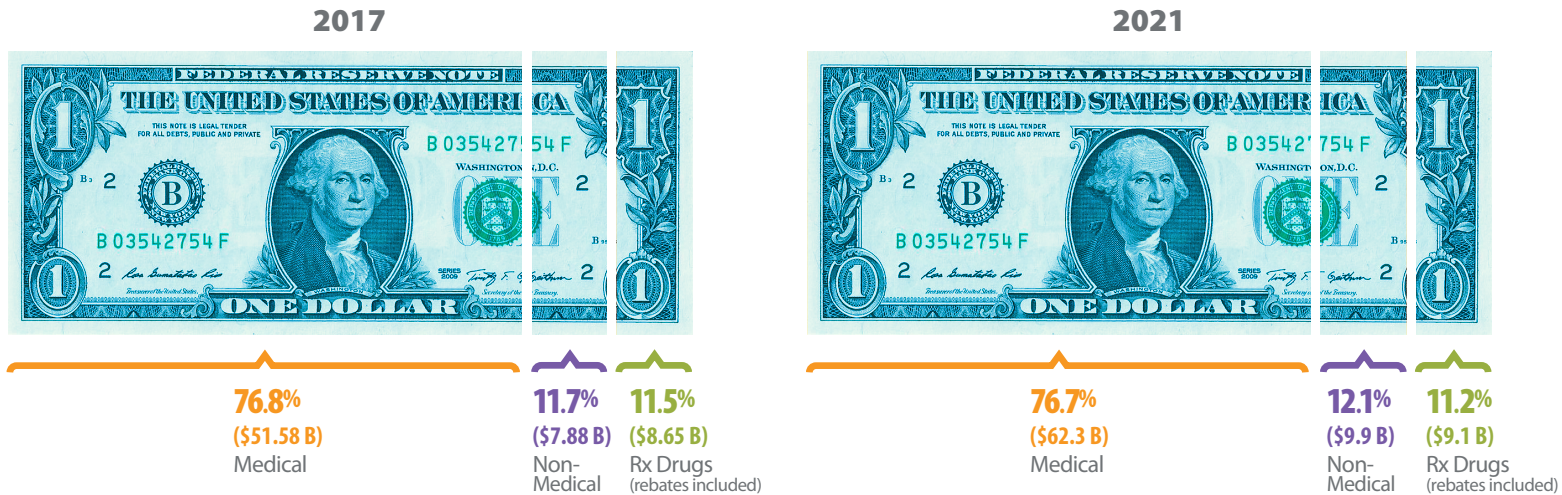
It’s unclear if plan profits may be higher than reported. The amount categorized under “Other” in the 2022 Report serves as a catchall for any item health plans may not wish to disclose under specific categories. The “Other” category grew 9.5% from 2020 to 2021.

% of Change Increase in Premium Dollar Expenditures Between 2017-2021:



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

DMHC found that, in 2021, more of the California premium dollar went to non-medical expenses than it did prescription drugs. In fact, after accounting for rebates from drug manufacturers, the percent of the premium dollar that went to **health plan non-medical expenses, including profits, increased by 0.4% while prescription drug spending decreased by 0.3%**, between 2017 - 2021.



How do Biopharmaceutical Manufacturer Rebates Factor into the Equation?

According to the DMHC report, biopharmaceutical manufacturers offered over **\$1.674 billion in rebates in 2021**. Unfortunately, these rebates aren't passed on to patients as those rebate savings are often retained by the health plan or pharmacy benefit managers as profit.

A 2022 report from Xcenda that shows the number of drugs excluded from the three largest pharmacy benefit manager (PBM) formularies reached an all-time high in 2023 - with roughly 600 medications being omitted.

Medicines Reduce Health Care Costs and Support Overall Patient Care

Prescription medications increase positive health outcomes. New research published in the American Journal of Managed Care reports that since hepatitis C medications were approved in 2013, even after factoring in the cost of treatment, Medicaid has saved an estimated \$15 billion in avoided health care costs. 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.

“In this year’s report, health plans counted COVID-19 vaccines toward the 13.3% of total health plan premium that was spent on prescription drugs.”

However, as the DMHC report also notes, “the cost of the COVID-19 vaccines was covered by the federal government.”

This means, while some health plans may have been responsible for the cost of administering life-saving COVID-19 immunizations, **the actual cost of the free vaccine should not be counted as a cost to health plans.**