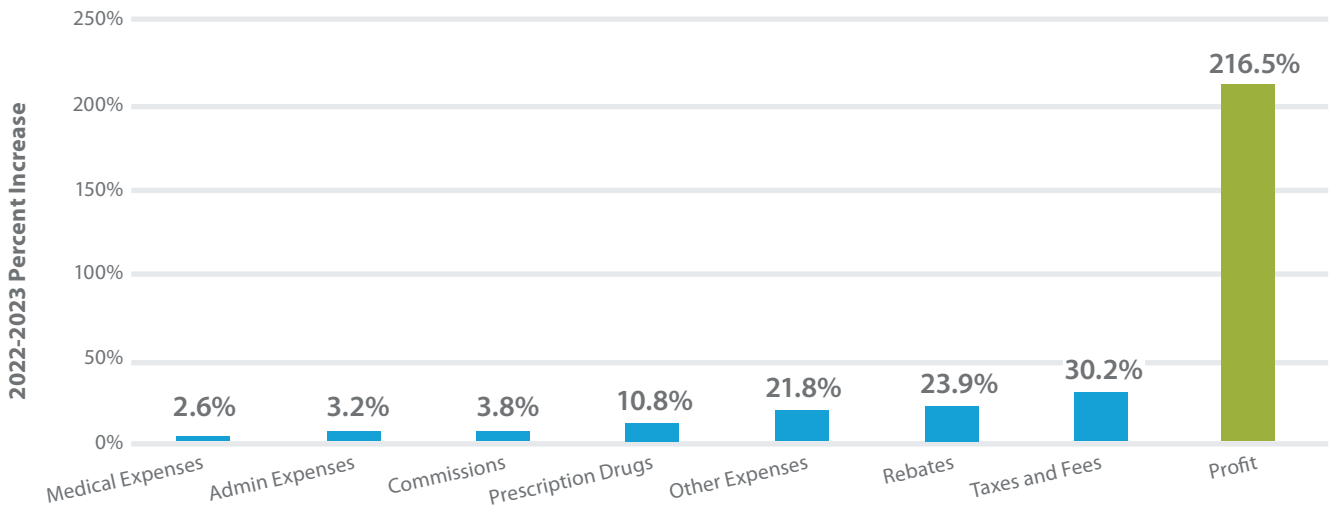


DMHC Report Shows Health Plan Profit and Non-Medical Expenses Far Exceed Rx Expenditures

The California Department of Managed Health Care (DMHC) released a report on January 23, 2025 concluding that, while total health plan premiums increased 4.8% between 2022 and 2023, the amount of premium dollars that went to health plan profits increased by 216.5%; taxes and fees by 30.2%; and “other expenses” by 21.8% in the same time period. The report was compiled based on 2023 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.

The Amount of Premium Dollars Going to Profit Saw the Biggest Increase in 2023



Prescription Drugs Account for a Small and Stable Share of the Premium Dollar

DMHC report data illustrated that between 2017 - 2023 health plans spent the majority of premium dollars on medical expenses which is consistent with the overall total premium increase that plans passed on to patients. Prescription drug costs remain a stable but small portion of that dollar. Importantly, the profit vertically integrated health plans realize, such as profits from their PBM business, is not captured in the report.

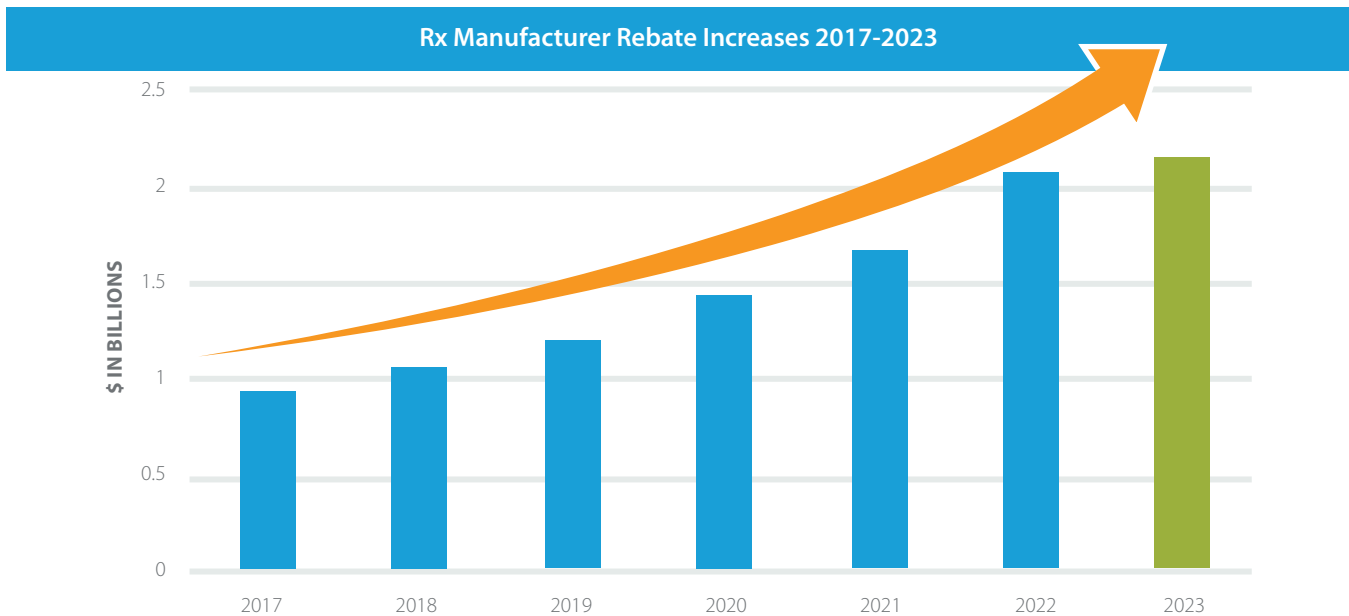


Why are Tests and Medical Devices Factored into Prescription Drug Cost Data?

Health plans continue to include medical devices and testing supplies toward the percentage of total health plan premium spent on prescription drugs data. While very few are prescribed by doctors in order to get coverage for their most economically challenged patients, the SB 17 statute clearly only applies to prescription drugs, not devices or over the counter medical products.

PhRMA Discounts/Rebates Given to PBMs and Insurers Have Grown 129.5%

According to the DMHC Report, “Manufacturer drug rebates increased by 23.9% in 2023 and totaled approximately \$2.6 billion in 2023 compared to \$2.1 billion in 2022.” Since reporting began, rebates have increased from \$915 million in 2017 to \$2.6 billion in 2023. That’s a 129.5% increase since 2017. Unfortunately, the DMHC analysis for the report did not consider the rebates and discounts given by drug manufacturers and retained by pharmacy benefit managers (PBMs). Furthermore, these savings are rarely passed on to patients and more often retained by the health plan or pharmacy benefit managers as profit.



DMHC Report Does Not Account for PBM Drastic Markups of Prescription Medicines

“The Big 3 Pharmacy Benefit Managers and their affiliated pharmacies generated over \$7.3 billion of dispensing revenue [profit] in excess of the NADAC [National Average Drug Acquisition Cost] on specialty generic drugs over the study period between 2017-2022.”
- Federal Trade Commission Report

Data from a January 14, 2025 Federal Trade Commission report¹ examined the cost originally charged by the drug manufacturer to the pharmacy; the average markup per 30-day supply in PBM reimbursement to the pharmacy; and finally, the profit made by PBM, insurance plan and pharmacy (PBM generally owns both the pharmacy and the plan). Many of the drugs analyzed in the FTC report, including the 3 in the graphic below, also appeared on the DMHC top 25 drugs causing affordability problems in California. The FTC report showed that:

- Pharmacies affiliated with the Big 3 PBMs received 68% of the dispensing revenue generated by specialty drugs in 2023, up from 54% in 2016.
- The Big 3 PBMs marked up multiple specialty drugs by up to **thousands of percent** and then paid their affiliated pharmacies hundreds of millions of dollars of dispensing revenue in excess of manufacturer acquisition costs for each drug annually.

Revatio
 Pulmonary Hypertension Rx
3,390% PBM Markup

Truvada
 HIV Rx
>1,000% PBM Markup

Prograf
 Transplant Rx
226% PBM Markup

¹Federal Trade Commission Report: Specialty Generic Drugs: A Growing Profit Center for Vertically Integrated Pharmacy Benefit Managers. January 2025