



Prescription Drug Cost Transparency Report

Measurement Year 2018

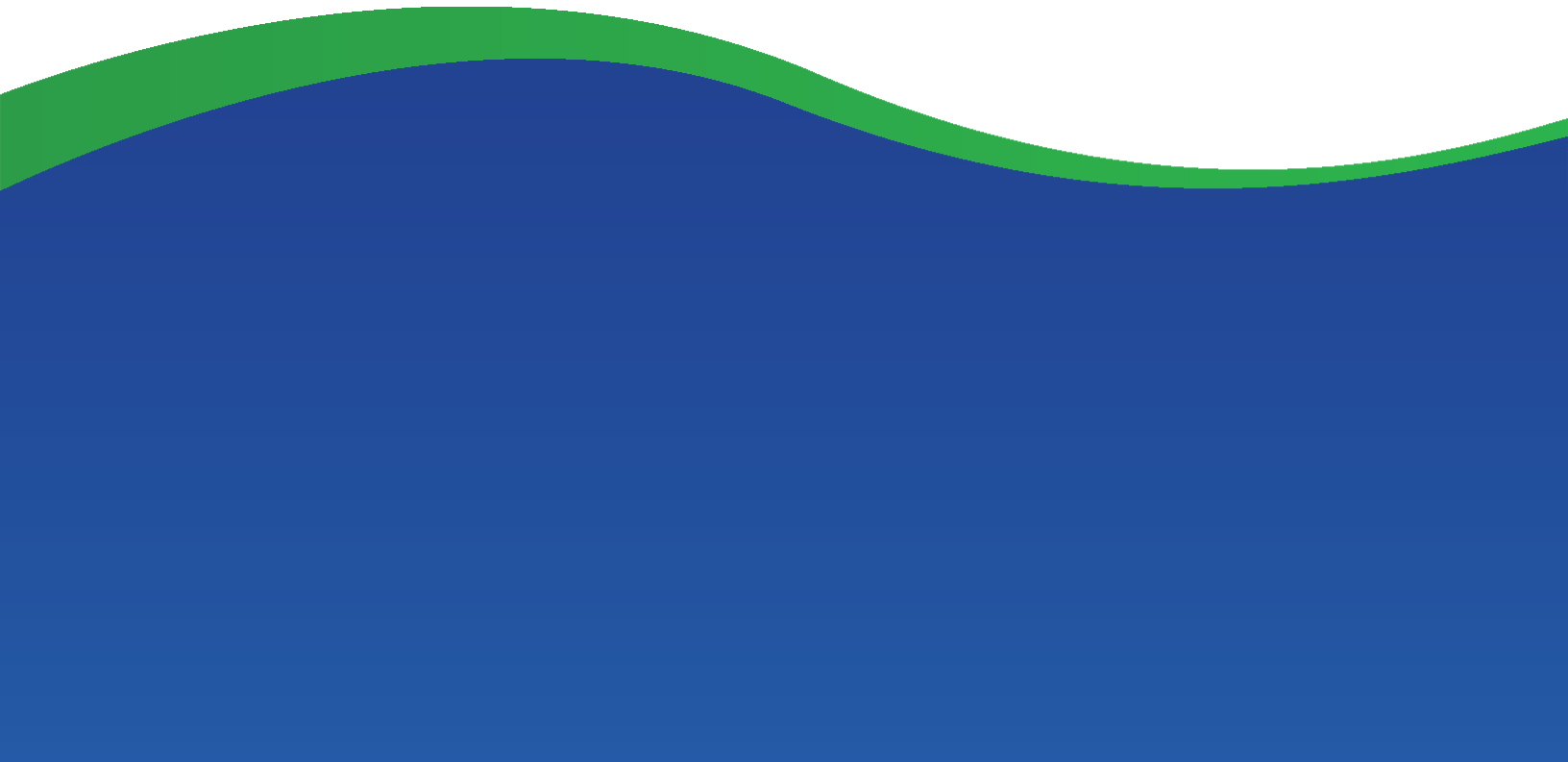


Table of Contents

I. Executive Summary	1
II. Introduction/Background	3
III. Overall Impact of Prescription Drug Costs on Premiums	4
IV. 25 Most Frequently Prescribed Drugs	10
V. 25 Most Costly Drugs by Total Annual Spending	15
VI. 25 Drugs with the Highest Year-Over-Year Increase in Total Annual Spending	18
VII. Conclusion	19
Appendix A: Summary of Data Limitations, Data Aggregation, Methods, and Assumptions	23
Appendix B: List of Health Plans Required to File Pursuant to SB 17	25
Appendix C: Lists of Prescription Drugs	26
Appendix D: Senate Bill 17 Text	35
Appendix E: Glossary	36

Chart and Tables

Chart 1. Breakdown of Total Health Plan Premium (PMPM).....	4
Table 1. Impact of Prescription Drugs on Premiums (in millions)	6
Table 2. Impact of Prescription Drugs on Premiums by Per Member Per Month (PMPM)	7
Table 3. Volume of Prescription Drugs and Total Annual Plan Spending	8
Table 4. Total Annual Spending on Prescription Drugs by Per Member Per Month (PMPM)	9
Table 5. 25 Most Frequently Prescribed Drugs by Percentage	11
Table 6. 25 Most Frequently Prescribed Drugs by PMPM	12
Table 7a. 25 Most Frequently Prescribed Drugs by Health Plan and Enrollee Spending	13
Table 7b. 25 Most Frequently Prescribed Drugs by Health Plan and Enrollee Percent of Spending	14
Table 8. 25 Most Costly Prescribed Drugs by Total Annual Spending	15
Table 9. 25 Most Costly Drugs by PMPM	16
Table 10a. 25 Most Costly Drugs by Health Plan and Enrollee Spending	17
Table 10b. 25 Most Costly Drugs by Health Plan and Enrollee Percent of Spending	17
Table 11. 25 Drugs with Highest Year-Over-Year Increase in Total Annual Spending	18

I. Executive Summary

The California Department of Managed Health Care (DMHC) protects consumers' health care rights and ensures a stable health care delivery system. As part of this mission, the DMHC licenses and regulates health care service plans (health plans) under the Knox-Keene Health Care Service Plan Act of 1975. The DMHC regulates the vast majority of commercial health plans and products in the large group, small group, and individual markets, including most of the health plans that participate in Covered California.

Senate Bill 17 (Hernandez, 2017), Health and Safety Code section 1367.243, requires health plans and health insurers that file rate information with the DMHC or the California Department of Insurance (CDI) to annually report specific information related to the costs of covered prescription drugs. In 2018, 25 health plans reported their prescription drug data for measurement year 2017. For 2019, 26 health plans submitted prescription drug data for measurement year 2018.¹

This report looks at the impact of the cost of prescription drugs on health plan premiums and compares this data across two reporting years. The DMHC considered the total volume of prescription drugs prescribed by health plans and the total cost paid by health plans for these drugs, on both an aggregate spending level and a per member per month basis (PMPM) and compared the 2017 and 2018 data. The DMHC also analyzed how the 25 most frequently prescribed drugs, the 25 most costly drugs, and the 25 drugs with the highest year-over-year increase in total annual spending impacted health plan premiums over the course of two reported years.

Key Findings²

- Health plans paid nearly \$9.1 billion for prescription drugs in 2018, an increase of over \$400 million from 2017. On a PMPM basis, health plans paid \$61.16 in 2018, which is an increase of \$2.67 PMPM from 2017.
- Prescription drugs accounted for 12.7 percent of total health plan premiums in 2018, a slight decrease from 12.9 percent in 2017.^{3 4}
- Health plans' prescription drug costs increased by 4.7 percent in 2018 (4.6 percent on a PMPM basis), whereas medical expenses increased by 2.7 percent (2.6 percent on a PMPM basis). Overall, total health plan premiums increased 6.2 percent (6.0 percent on a PMPM basis) from 2017 to 2018.

¹ The list of Health Plans submitting prescription drug data is provided in Appendix B.

² The information in this report relies on the data submitted by the health plans.

³ The figures in this report include only those prescription drugs dispensed through retail or mail order pharmacies, and does not include drugs that are provided in a hospital, administered in a doctor office, or otherwise paid for through capitated payments to delegated providers. Therefore, the 12.7 percent of premium does not capture all costs of prescription drugs paid by health plans, rather only those that are itemized as part of the health plans' pharmacy benefit.

⁴ A number of health plans amended their prescription drug costs information for measurement year 2017 which changed the total prescription drug costs as a percentage of total health plan premiums reported in the Prescription Drug Cost Transparency Report for Measurement Year 2017 from 13.1 percent to 12.9 percent.

-
- Manufacturer drug rebates totaled approximately \$1.058 billion, up from \$922 million in 2017.⁵ This represents about 11.7 percent of the \$9.1 billion spent on prescription drugs in 2018. On a PMPM basis, manufacturer drug rebates equaled \$7.15 PMPM, up from \$6.24 PMPM in 2017. This also equates to 11.7 percent of the \$61.16 PMPM health plans paid for prescription drugs in 2018.
 - While specialty drugs accounted for only 1.6 percent of all prescription drugs dispensed, they accounted for 52.6 percent of total annual spending on prescription drugs.⁶
 - Generic drugs accounted for 87.0 percent of all prescribed drugs but only 22.4 percent of the total annual spending on prescription drugs.
 - Brand name drugs accounted for 11.4 percent of prescriptions and constituted 25.0 percent of the total annual spending on prescription drugs.
 - The 25 Most Frequently Prescribed Drugs represented 48.2 percent of all drugs prescribed and approximately 43.2 percent of the total annual spending on prescription drugs.
 - For the 25 Most Frequently Prescribed Drugs, enrollees paid 3.1 percent of the cost of specialty drugs, 12.9 percent of the cost of brand name drugs, and 55.7 percent of the cost of generics.
 - Of the 12.7 percent of total health plan premium that was spent on prescription drugs, the 25 Most Costly Drugs accounted for 6.9 percent.
 - Overall, health plans paid 91.9 percent of the cost of the 25 Most Costly Drugs across all three categories (generic, brand name and specialty).

⁵ Health plans provided the total manufacturer drug rebate information for all drugs. The manufacturer drug rebate was not provided for the top 25 most frequently prescribed drugs, the top 25 most costly drugs or top 25 drugs with highest year-over-year increase in total annual spending.

⁶ “Specialty Drug” is a drug with a plan- or insurer-negotiated monthly cost that exceeds the threshold for a specialty drug under the Medicare Part D program (Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (Public Law 108-173)). In 2018, the threshold amount is \$670 for a one-month supply.

II. Introduction/Background

In 2017, California enacted Senate Bill (SB) 17 (Hernandez, 2017) for the purpose of increasing transparency of prescription drug costs. SB 17 requires health plans and health insurers that file rate information with the DMHC or the CDI to report specific data related to prescription drugs beginning October 1, 2018, and annually thereafter. In addition, SB 17 requires drug manufacturers of any prescription drug with a wholesale acquisition cost of more than \$40 to provide advance notification, on a quarterly basis, of any significant cost increases to those drugs.⁷ SB 17 also requires manufacturers of new drugs to publish certain information such as wholesale acquisition cost, marketing plan, and usage of the new prescription drug if the cost exceeds a specified threshold, by reporting this information to the California Office of Statewide Health Planning and Development.

SB 17 requires the DMHC to issue an annual report that summarizes how prescription drug costs impact health plan premiums. The DMHC worked with stakeholders to develop a template for health plan submission of the required data. Specifically, commercial health plans reported the following categories of information:

- a. the 25 prescription drugs most frequently prescribed to health plan enrollees;
- b. the 25 most costly prescription drugs by total annual health plan spending;
- c. the 25 prescription drugs with the highest year-over-year increase in total annual health plan spending; and
- d. the overall impact of drug costs on healthcare premiums.

For the 2018 reporting year, 26 commercial health plans submitted data which includes the proprietary drug names and therapy classes for generic, brand and specialty drugs. The number of prescriptions was measured in terms of units.⁸ As required by Health and Safety Code section 1367.243, the DMHC compiled and aggregated this data to ensure health plans' specific data remained confidential.

Health plans that file annual large group rate information with the DMHC and CDI are also required to file specified information regarding health plan spending and year-over-year cost increases for covered prescription drugs. Large group rate information is not discussed in this report but will be presented at the DMHC's public meeting regarding large group rates and posted on the DMHC's website.

⁷ The California Office of Statewide Health Planning and Development (OSHPD) receives the prescription drug cost increase reports and posts these on its website: <https://oshpd.ca.gov/data-and-reports/cost-transparency/rx/>.

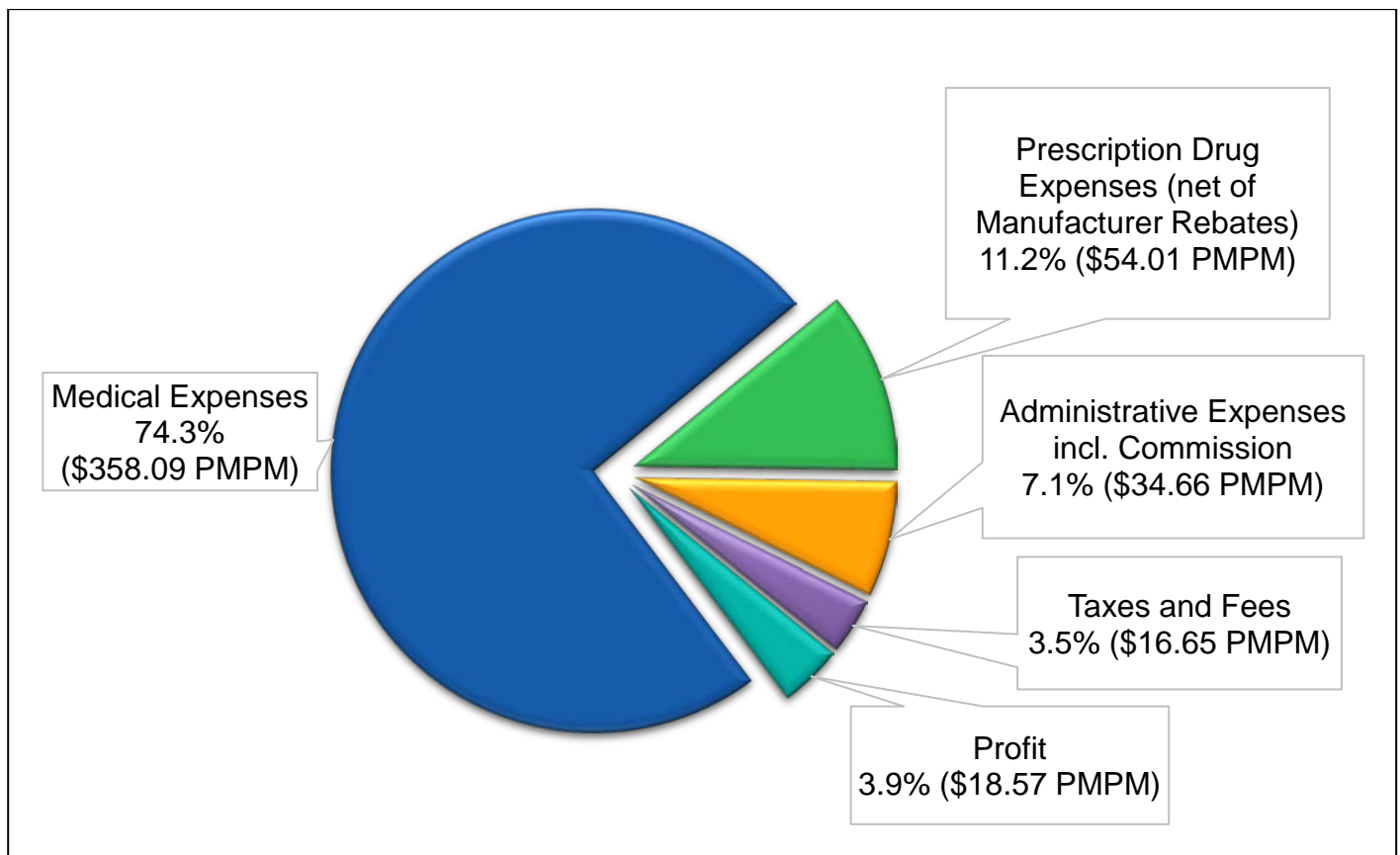
⁸ A 30-day supply of a prescription drug is 1 unit; a supply of 31 to 60-days is 2 units, and a supply more than 60-days is 3 units.

III. Overall Impact of Prescription Drug Costs on Premiums

The DMHC evaluated the overall impact of the cost of prescription drugs on total health plan premiums by calculating the portion of the premium dollars that health plans spent on prescription drugs in 2018.⁹ This was analyzed on an aggregate spending level and on a per member per month basis (PMPM). PMPM calculations display the portion of the premium that was spent on a per member basis, whereas total spending calculations do not take into account changes in enrollment that may have caused changes in spending.

Chart 1 shows the breakdown of total health plan premiums on a PMPM basis. For measurement year 2018, the total health plan premium on a PMPM basis was \$481.98. Medical expenses accounted for \$358.09 or 74.3 percent of the health plan premium and prescription drug expenses, net of manufacturer rebates, accounted for \$54.01 or 11.2 percent of total health plan premium on a PMPM basis. Profit accounted for \$18.57 or 3.9 percent of the total health plan premium on a PMPM basis. Administrative expenses, commission and taxes and fees accounted for the remaining \$51.31 or 10.6 percent of the total health plan premium on a PMPM basis.

Chart 1
Breakdown of Total Health Plan Premium (PMPM)



⁹ Total health plan premium is the total amount the health plan paid for medical and prescription drug benefits, administrative expenses, taxes and fees, profits and adjusts for manufacturer rebates. Total health plan premium excludes member cost sharing.

As seen in Tables 1 and 2, the portion of total health plan premiums spent on prescription drugs in 2018 reached almost \$9.1 billion (or \$61.16 PMPM). These expenses represented 12.7 percent of total health plan premiums. Although this percentage of total premium decreased slightly from 2017, total prescription drug costs increased by 4.6 percent in 2018 on a PMPM basis. Medical expenses made up 74.3 percent, or almost \$53 billion, of total health plan premiums. Medical expenses increased by 2.6 percent on a PMPM basis from 2017, a lower rate than prescription drug expenses. Health plan profit increased by 171.5 percent and taxes and fees increased by 30.0 percent on a PMPM basis.¹⁰ Administrative expenses increased by 5.5 percent and commissions decreased by 2.6 percent on a PMPM basis.

Manufacturer drug rebates increased by almost 15 percent (14.8 percent) in 2018 and totaled approximately \$1.058 billion (or \$7.15 PMPM) in 2018 compared to \$922 million (or \$6.24 PMPM) in 2017. These rebates helped mitigate some of the overall impact of rising prescription drug prices by reducing the total health plan premium by 1.5 percent in 2018.

¹⁰ Three health plans accounted for majority of the approximately \$1.7 billion increase in profit between 2017 and 2018.

Table 1**Impact of Prescription Drugs on Premiums (in millions)¹¹**

Category of Premium Payment	2018	Percentage of Premium	2017	Percentage of Premium	YOY ¹² Percentage Change
Prescription Drug Expenses	\$9,051	12.7%	\$8,646	12.9%	4.7%
Medical Expenses	\$52,993	74.3%	\$51,578	76.8%	2.7%
Manufacturer Drug Rebates	(\$1,058)	(1.5%)	(\$922)	(1.4%)	14.8%
Administrative Expenses¹³	\$3,576	4.9%	\$3,387	5.0%	5.6%
Commissions	\$1,552	2.2%	\$1,592	2.4%	(2.5%)
Profit¹⁴	\$2,748	3.9%	\$1,011	1.5%	171.8%
Taxes and Fees	\$2,464	3.5%	\$1,893	2.8%	30.2%
Total Health Plan Premium	\$71,326	100.0%	\$67,185	100.0%	6.2%
Member Months (in millions)¹⁵	148.0		147.8		0.1%

¹¹ Please note that the sum of the component line items in exhibits may not add up to Total lines due to rounding.

¹² "Year-over-Year" measures the change from 2017 to 2018.

¹³ Administrative expenses are expenses associated with the overall management and operation of the health plan (e.g. claims processing expenses, salaries and benefits, solicitation fees, etc.).

¹⁴ Three health plans accounted for majority of the approximately \$1.7 billion increase in profit from 2017 to 2018.

¹⁵ Member months is the sum of the total members covered by the health plans for each month over a period of time. If a member is covered in a health plan for 12 months, then the total member months for the coverage period is 12.

Table 2**Impact of Prescription Drugs on Premiums by Per Member Per Month (PMPM)**

Category of Premium Payment	2018	Percentage of Premium	2017	Percentage of Premium	YOY Percentage Change ¹⁶
Prescription Drug Expenses	\$61.16	12.7%	\$58.49	12.9%	4.6%
Medical Expenses	\$358.09	74.3%	\$348.96	76.8%	2.6%
Manufacturer Drug Rebates	(\$7.15)	(1.5%)	(\$6.24)	(1.4%)	14.6%
Administrative Expenses	\$24.17	4.9%	\$22.92	5.0%	5.5%
Commission	\$10.49	2.2%	\$10.77	2.4%	(2.6%)
Profit	\$18.57	3.9%	\$6.84	1.5%	171.5%
Taxes and Fees	\$16.65	3.5%	\$12.81	2.8%	30.0%
Total Health Plan Premium	\$481.98	100.0%	\$454.55	100.0%	6.0%
Member Months (in millions)	148.0		147.8		0.1%

¹⁶ The variance in YOY Percentage Change between Table 1 and Table 2 is attributed to the change in Member Months from 2017 to 2018.

Tables 3 and 4 show the portion of total annual spending on prescription drugs that was spent on generic, brand name, and specialty drugs for 2017 and 2018. Total annual spending on prescription drugs is the total amount paid by health plans and enrollees for prescription drugs, and is not adjusted for any manufacturer rebates.

These tables highlight how specialty drugs account for a small portion of the total drugs prescribed but make up more than half of the total annual spending on prescription drugs. For example, generic drugs accounted for 87.0 percent of all prescribed drugs but represented only 22.4 percent (or \$15.29 PMPM) of the total annual spending on prescription drugs in 2018. Conversely, specialty drugs accounted for only 1.6 percent of all drugs prescribed but represented 52.6 percent (or \$35.95 PMPM) of the total annual spending on prescription drugs.

As seen on Tables 3 and 4, the volume of prescription drugs and total annual spending by drug category remained relatively consistent from year to year.

Table 3

Volume of Prescription Drugs and Total Annual Spending on All Prescription Drugs

Category	Generic	Brand Name	Specialty	Overall
Measurement Year - 2018				
2018 Volume of All Prescription Drugs	87.0%	11.4%	1.6%	100.0%
2018 Annual Spending on All Prescription Drugs	22.4%	25.0%	52.6%	100.0%
Measurement Year - 2017				
2017 Volume of All Prescription Drugs	87.8%	10.6%	1.6%	100.0%
2017 Annual Spending on All Prescription Drugs	23.6%	24.8%	51.6%	100.0%

Table 4**Total Annual Spending on Prescription Drugs by Per Member Per Month (PMPM)**

Category	Generic	Brand Name	Specialty	Overall
Measurement Year - 2018				
2018 Annual Spending on All Prescription Drugs	\$15.29	\$17.09	\$35.95	\$68.33
2018 Number of Prescriptions (in millions)	106.7	14.0	1.9	122.6
2018 Total Member Months for Pharmacy Benefits Carve-in (in millions)				148.0
Measurement Year - 2017				
2017 Annual Spending on All Prescription Drugs	\$15.32	\$16.07	\$33.42	\$64.81
2017 Number of Prescriptions (in millions)	104.7	12.6	1.9	119.2
2017 Total Member Months for Pharmacy Benefits Carve-in (in millions)				147.8

IV. 25 Most Frequently Prescribed Drugs

Health plans reported specific data on the 25 most frequently prescribed drugs. This data has been aggregated and is displayed in the charts in Appendix C. In 2018, the 25 most frequently prescribed drugs accounted for approximately 48.2 percent of all prescribed drugs and approximately 43.2 percent of the total annual spending on prescription drugs.

The 25 most frequently prescribed drugs accounted for approximately 5.5 percent of the total health plan premium. The 25 most frequently prescribed generic drugs accounted for 39.7 percent of all prescriptions but only 4.3 percent of the total annual spending on prescription drugs and accounted for only 0.3 percent of the total health plan premium.

In contrast, the 25 most frequently prescribed specialty drugs accounted for only 0.9 percent of all prescriptions but 25.9 percent of the total annual spending on prescription drugs and made up 3.6 percent of the total health plan premium. Similar trends were observed for measurement year 2017.

Table 5 summarizes the 25 most frequently prescribed drugs by total annual spending on prescription drugs for 2017 and 2018.

Table 5**25 Most Frequently Prescribed Drugs by Percentage**

Category	25 Most Frequently Prescribed Drugs				All Other Prescribed Drugs	Total
	Generic	Brand Name	Specialty	Subtotal		
Measurement Year - 2018						
2018 Total Percentage of Prescription Drugs	39.7%	7.6%	0.9%	48.2%	51.8%	100.0%
2018 Total Annual Spending on Prescription Drugs	4.3%	13.0%	25.9%	43.2%	56.8%	100.0%
2018 Impact on Total Health Plan Premiums	0.3%	1.6%	3.6%	5.5%	7.2%	12.7%
Measurement Year - 2017						
2017 Total Percentage of Prescription Drugs	39.9%	6.8%	1.0%	47.7%	52.3%	100.0%
2017 Total Annual Spending on Prescription Drugs	4.8%	12.6%	25.4%	42.8%	57.2%	100.0%
2017 Impact on Total Health Plan Premiums	0.3%	1.6%	3.6%	5.5%	7.4%	12.9%

Table 6 summarizes the 25 most frequently prescribed drugs by PMPM dollar amounts. The PMPM calculations were made using the total annual health plan spending on prescription drugs, which excludes enrollee cost sharing and is not adjusted for any manufacturer rebates.

Total annual health plan spending on prescription drugs in 2018 was \$61.16 PMPM. Of this amount, the 25 most frequently prescribed generic, brand name, and specialty drugs accounted for \$1.32, \$7.72, and \$17.14 PMPM, respectively. Overall, the 25 most frequently prescribed drugs accounted for \$26.18 PMPM (42.8 percent) of the total annual health plan spending on prescription drugs in 2018.

In 2017, the total annual health plan spending on prescription drugs was \$58.49 PMPM and the 25 most frequently prescribed drugs accounted for \$24.37 PMPM (41.5 percent) of the total annual health plan spending on prescription drugs.

Table 6
25 Most Frequently Prescribed Drugs by PMPM

Category	2018 PMPM Amount	2018 Percentage of Total Annual Health Plan Drug Spending	2017 PMPM Amount	2017 Percentage of Total Annual Health Plan Drug Spending
Generic Drugs	\$1.32	2.2%	\$1.34	2.3%
Brand Name Drugs	\$7.72	12.6%	\$7.06	12.0%
Specialty Drugs	\$17.14	28.0%	\$15.97	27.2%
25 Most Frequently Prescribed Drugs Total	\$26.18	42.8%	\$24.37	41.5%
All Other Prescribed Drugs	\$34.98	57.2%	\$34.12	58.5%
Total Annual Health Plan Prescription Drug Spending	\$61.16	100.0%	\$58.49	100.0%

Tables 7a and 7b show the portion of prescription drug costs paid by both health plans and enrollees for 2017 and 2018.

In 2018, total annual spending for prescription drugs for the 25 most frequently prescribed drugs was \$4.37 billion of which \$3.87 billion was paid by health plans and \$494 million was paid by consumers. Health plans paid 88.7 percent of the total costs for the 25 most frequently prescribed drugs. Health plans paid 96.9 percent, 87.1 percent, and 44.3 percent of the costs for the 25 most frequently prescribed specialty, brand name, and generic drugs, respectively. Consumers paid 11.3 percent of the total costs for the 25 most frequently prescribed drugs. Consumers paid 3.1 percent, 12.9 percent, and 55.7 percent of the 25 most frequently prescribed specialty, brand name, and generic drugs, respectively.

In 2017, total annual spending for prescription drugs for the 25 most frequently prescribed drugs was \$4.1 billion of which \$3.6 billion was paid by health plans and \$497 million was paid by consumers. Health plans and consumers paid 87.9 percent and 12.1 percent of the total costs for the 25 most frequently prescribed drugs, respectively.

Table 7a

25 Most Frequently Prescribed Drugs by Health Plan and Enrollee Spending

Category	Total Prescription Cost Paid by Health Plans (in millions)		Total Member Cost Sharing (in millions)		Total Annual Spending for Prescription Drugs (in millions)	
	2018	2017	2018	2017	2018	2017
Measurement Year	2018	2017	2018	2017	2018	2017
Generic Drugs	\$195	\$198	\$245	\$258	\$440	\$456
Brand Name Drugs	\$1,142	\$1,045	\$169	\$168	\$1,311	\$1,213
Specialty Drugs	\$2,537	\$2,366	\$80	\$71	\$2,617	\$2,437
25 Most Frequently Prescribed Drugs Total	\$3,874	\$3,609	\$494	\$497	\$4,368	\$4,106
All Other Prescribed Drugs	\$5,177	\$5,087	\$568	\$408	\$5,745	\$5,495
Total for All Drugs	\$9,051	\$8,646	\$1,062	\$905	\$10,113	\$9,601

Table 7b**25 Most Frequently Prescribed Drugs by Health Plan and Enrollee Percent of Spending**

Category	2018 Percentage Paid by Health Plans	2018 Percentage Paid by Enrollees	2018 Total Percentage Paid by Health Plans and Enrollees	2017 Percentage Paid by Health Plans	2017 Percentage Paid by Enrollees	2017 Total Percentage Paid by Health Plans and Enrollees
Generic Drugs	44.3%	55.7%	100.0%	43.4%	56.6%	100.0%
Brand Name Drugs	87.1%	12.9%	100.0%	86.2%	13.8%	100.0%
Specialty Drugs	96.9%	3.1%	100.0%	97.1%	2.9%	100.0%
25 Most Frequently Prescribed Drugs Total	88.7%	11.3%	100.0%	87.9%	12.1%	100.0%

V. 25 Most Costly Drugs by Total Annual Spending

This section analyzes the prescription drug information related to the 25 most costly drugs. Charts in Appendix C list the 25 most costly generic, brand name, and specialty drugs.

The 25 most costly drugs by total annual spending accounted for 28.8 percent of the total number of prescribed drugs and 53.3 percent of the total annual spending on prescription drugs in 2018. Of the 12.7 percent of total health plan premium that was spent on prescription drugs, the 25 most costly drugs accounted for 6.9 percent.

While the 25 most costly specialty drugs accounted for only 0.8 percent of all prescriptions, they represented 30.7 percent of the total annual prescription drug spending and approximately 4.2 percent of the overall total health plan premiums. Conversely, the 25 most costly generic drugs accounted for 21.8 percent of all prescribed drugs, but only 7.4 percent of the total annual spending on prescription drugs and 0.8 percent of health plan premiums.

In 2017, the 25 most costly drugs by total annual spending accounted for 30.5 percent of the total number of prescribed drugs and 52.5 percent of the total annual spending on prescription drugs.

Table 8 summarizes the 25 most costly drugs by total annual spending on prescription drugs for 2017 and 2018.

Table 8

25 Most Costly Prescribed Drugs by Total Annual Spending

Category	25 Most Costly Prescribed Drugs				All Other Prescribed Drugs	Total
	Generic	Brand Name	Specialty	Subtotal		
Measurement Year - 2018						
2018 Total Percentage of Prescription Drugs	21.8%	6.2%	0.8%	28.8%	71.2%	100.0%
2018 Total Annual Spending on Prescription Drugs	7.4%	15.2%	30.7%	53.3%	46.7%	100.0%
2018 Impact on Total Health Plan Premiums	0.8%	1.9%	4.2%	6.9%	5.8%	12.7%
Measurement Year - 2017						
2017 Total Percentage of Prescription Drugs	23.8%	5.9%	0.8%	30.5%	69.5%	100.0%
2017 Total Annual Spending on Prescription Drugs	7.7%	14.3%	30.5%	52.5%	47.5%	100.0%
2017 Impact on Total Health Plan Premiums	0.8%	1.8%	4.3%	6.9%	6.0%	12.9%

The 25 most costly drugs by PMPM dollar amounts are summarized in Table 9. The PMPM calculations were made using the total annual health plan spending on prescription drugs, which excludes enrollee cost sharing and is not adjusted for any manufacturer rebates.

The total annual health plan spending on prescription drugs in 2018 was \$61.16 PMPM. Of this amount, the 25 most costly generic, brand name, and specialty drugs accounted for \$3.73, \$9.26, and \$20.40 PMPM, respectively. Overall, the 25 most costly drugs accounted for \$33.39 PMPM (54.6 percent) of the total annual health plan spending on prescription drugs in 2018.

In 2017, the total annual health plan spending on prescription drugs was \$58.49 PMPM. Of this amount, the 25 most costly generic, brand name, and specialty drugs accounted for \$3.56, \$8.20, and \$19.30 PMPM, respectively.

Table 9

25 Most Costly Drugs by PMPM

Category	2018 PMPM Amount	2018 Percentage of Total Annual Health Plan Drug Spending	2017 PMPM Amount	2017 Percentage of Total Annual Health Plan Drug Spending
Generic Drugs	\$3.73	6.1%	\$3.56	6.1%
Brand Name Drugs	\$9.26	15.1%	\$8.20	14.0%
Specialty Drugs	\$20.40	33.4%	\$19.30	33.0%
25 Most Costly Drugs Total	\$33.39	54.6%	\$31.06	53.1%
All Other Prescribed Drugs	\$27.77	45.4%	\$27.43	46.9%
Total Annual Health Plan Prescription Drug Spending	\$61.16	100.0%	\$58.49	100.0%

Tables 10a and 10b show the portion of prescription drug costs that were paid by both health plans and enrollees in 2017 and 2018.

For the 25 most costly drugs, health plans paid 91.9 percent of the costs in 2018. Health plans paid 97.4 percent of the 25 most costly specialty drugs, 89.3 percent of the 25 most costly brand name drugs, and 74.3 percent of the 25 most costly generic drugs. For the 25 most costly drugs, consumers paid 8.1 percent of the costs. Consumers paid 2.6 percent of the 25 most costly specialty drugs, 10.7 percent of the 25 most costly brand name drugs, and 25.7 percent of the 25 most costly generic drugs. Health plans spent approximately \$4.9 billion, and enrollees spent an additional \$437 million in member cost sharing at the point of purchase on the top 25 most costly prescription drugs.

In 2017, health plans spent approximately \$4.6 billion, and consumers paid \$443 million in cost sharing at the point of purchase on the top 25 most costly prescription drugs.

Table 10a

25 Most Costly Drugs by Health Plan and Enrollee Spending

Category	Total Prescription Cost Paid by Health Plans (in millions)		Total Member Cost Sharing (in millions)		Total Annual Spending for Prescription Drugs (in millions)	
	2018	2017	2018	2017	2018	2017
Generic Drug	\$552	\$527	\$191	\$209	\$743	\$736
Brand Name Drug	\$1,370	\$1,214	\$165	\$160	\$1,535	\$1,374
Specialty Drug	\$3,019	\$2,859	\$81	\$74	\$3,100	\$2,933
Total	\$4,941	\$4,600	\$437	\$443	\$5,378	\$5,043

Table 10b

25 Most Costly Drugs by Health Plan and Enrollee Percent of Spending

Category	2018 Percentage Paid by Health Plans	2018 Percentage Paid by Enrollees	2018 Total Percentage Paid by Health Plans and Enrollees	2017 Percentage Paid by Health Plans	2017 Percentage Paid by Enrollees	2017 Total Percentage Paid by Health Plans and Enrollees
Generic Drug	74.3%	25.7%	100.0%	71.6%	28.4%	100.0%
Brand Name Drug	89.3%	10.7%	100.0%	88.4%	11.6%	100.0%
Specialty Drug	97.4%	2.6%	100.0%	97.5%	2.5%	100.0%
Total	91.9%	8.1%	100.0%	91.2%	8.8%	100.0%

VI. 25 Drugs with the Highest Year-Over-Year Increase in Total Annual Spending

Table 11 summarizes the 25 drugs with highest year-over-year increase in total annual spending for 2017 and 2018. The 25 specialty drugs with the highest year-over-year increase in spending accounted for 24.2 percent of the total annual spending on prescription drugs. The 25 brand name drugs with the highest year-over-year increase in spending accounted for 11.0 percent of the total annual spending on prescription drugs. The 25 generic drugs with the highest year-over-year increase accounted for only 3.8 percent of the total annual spending on prescription drugs.

Overall, the 25 drugs with the highest year-over-year increases in spending accounted for 39.0 percent of the total annual spending on prescription drugs. In 2017, the 25 drugs with the highest year-over-year increases in spending accounted for 39.6 percent of the total annual spending on prescription drugs.

Since health plan reporting did not include specific data on the change in volume of prescription drugs, the DMHC is unable to discern whether the 25 drugs with the highest year-over-year increase in spending is due to increases in drug prices, increases in the volume of prescriptions, or some combination of both.

Table 11

25 Drugs with Highest Year-Over-Year Increase in Total Annual Spending on Prescription Drugs

Category	25 Drugs with Highest Year-Over-Year Increase				All Other Prescribed Drugs	Total
	Generic	Brand Name	Specialty	Subtotal		
Measurement Year - 2018						
Total Annual Spending on Prescription Drugs with highest year-over-year increase from 2017 to 2018	3.8%	11.0%	24.2%	39.0%	61.0%	100.0%
Measurement Year - 2017						
Total Annual Spending on Prescription Drugs with highest year-over-year increase from 2016 to 2017	4.7%	10.7%	24.2%	39.6%	60.4%	100.0%

VII. Conclusion

The impact of prescription drug costs on health plan premiums is significant. Health plans paid nearly \$9.1 billion for prescription drugs in 2018, up from approximately \$8.7 billion in 2017. Prescription drug costs paid by health plans accounted for 12.7 percent of the total health plan premium in 2018, down slightly from 12.9 percent in 2017. This amount is primarily related to the cost of specialty drugs.

Overall, specialty drugs accounted for 1.6 percent of the total number of drugs prescribed but 52.6 percent of the total annual spending on prescription drugs. Generic drugs made up 87.0 percent of all the drugs prescribed in 2018 but represented only 22.4 percent of total annual spending on prescription drugs. Brand name drugs made up 11.4 percent of all the drugs prescribed in 2018 and represented 25.0 percent of total spending on prescriptions drugs.

Generally, the proportion of volume and annual spending by drug category remained relatively consistent from 2017 to 2018.

This is the second annual report the DMHC has prepared on prescription drug costs. The report provides important information on the impact of prescription drug costs on health care premiums. The DMHC will continue to collect and report annually the data required by SB 17, which will enable the public to understand how prescription drugs impact health care premiums over time.

Intentionally Left Blank

Appendices

to the

Prescription Drug Cost Transparency Report

Measurement Year 2018

Intentionally Left Blank

Appendix A:

Summary of Data Limitations, Data Aggregation, Methods, and Assumptions

In developing this report, the DMHC relied on data and information provided by 26 health care service plans. The DMHC did not audit the data sources for accuracy; however, the DMHC reviewed them for reasonableness.

Each health care service plan provided a list of its 25 most frequently prescribed drugs, its 25 most costly drugs, and the 25 drugs with the highest dollar increases in spending from 2017 to 2018. This data was provided separately for generic, brand name, and specialty drugs. In total, each health care service plan provided nine lists of drugs, each with 25 entries.

The lists of drugs provided by the health care service plans were aggregated by prescription drug name. In addition to the drug name, the health plans provided National Drug Codes (NDC) for each drug. The NDCs were cross-referenced against the drug name to ensure names of drugs were aggregated appropriately.

Two common inconsistencies were observed when aggregating the drugs by name and cross-referencing the NDC. First, two drugs with the same NDCs may have been given different variations of a name by different health plans. For example, Health Plan A assigns the drug name for a group of NDCs as Advair while Health Plan B assigns the name Advair Diskus to the same set of NDCs. In this case, it was assumed these two health plans were referencing the same drug and were given a common name (e.g., Advair). Second, for a given set of NDC codes, two health plans may have assigned a varying number of drug names. For instance, Health Plan A references a given set of NDCs as Metformin HCL while Health Plan B separates those same NDCs between Metformin HCL and Metformin HCL ER. In this case, because Health Plan A's list does not provide the additional breakdown, we use a common name (e.g., Metformin).

In the process of aggregating the data, a program was used to cross-reference differing drug names which referenced the same NDCs. Manual checks were then performed to ensure that drugs with naming inconsistencies were combined appropriately.

Once aggregated, the prescription drugs were sorted by the total number of prescriptions for the 25 most frequently prescribed drugs, the total annual prescription drug spending in 2018 for the 25 most costly drugs, and the total dollar amount increase in spending from 2017 to 2018 for the 25 drugs with the highest increase. From there, the top 25 drugs were selected from each category. These appear in Appendix C. The analysis within this report is related to the drugs on those lists.

It should be noted that, because only a top 25 list was provided by the health plans, the analysis is not based on total spending and prescriptions by these health plans. For instance, if one health plan had a drug at number 17 on its list and another health plan had it at 28, the spending and prescriptions for that second health plan would not have been provided. However, given that over 84 percent of the market is dominated by three health plans, and that across all nine lists the 25th drug is approximately 1 percent of total prescription drug spending and less than 1 percent of spending within its respective generic, brand name, or specialty drug class, the DMHC believes the analysis is representative of the prescription drug market in the state of California.

Appendix A:

Summary of Data Limitations, Data Aggregation, Methods, and Assumptions

Each prescription drug name was also associated with a therapy class relating to the therapeutic category in line with the United States Pharmacopeia standards. While some health plans provided this information, others left this field blank or referenced other therapeutic classes. For consistency, the top 25 drugs were manually assigned a therapy class as shown in the charts in Appendix C.

The health plans aggregated total costs of drugs and total number of prescriptions by generic, brand name, and specialty drugs as well as the total amount the health plan paid in aggregate for generic, brand name, and specialty drugs.

The health plans also provided their medical expenses, manufacturer rebates, administrative expenses, commissions, taxes and fees, and profit which allowed the DMHC to develop a total premium value.

Appendix B:

List of Health Plans Required to File Pursuant to SB 17

#	Health Plan Name
1	Aetna Health of California, Inc.
2	Alameda Alliance For Health
3	Blue Cross of California (Anthem Blue Cross)
4	California Physicians' Service (Blue Shield of California)
5	Chinese Community Health Plan
6	Cigna HealthCare of California, Inc.
7	Community Care Health Plan, Inc.
8	Contra Costa County Medical Services (Contra Costa Health Plan)
9	Health Net of California, Inc.
10	Kaiser Foundation Health Plan, Inc. (Kaiser Permanente)
11	Local Initiative Health Authority For Los Angeles County (L.A. Care Health Plan)
12	Medi-Excel, SA de CV (MediExcel Health Plan)
13	Molina Healthcare of California
14	Oscar Health Plan of California
15	San Francisco Community Health Authority
16	San Mateo Health Commission (Health Plan of San Mateo)
17	Santa Clara County (Valley Health Plan)
18	Santa Cruz-Monterey-Merced Managed Medical Care Commission (Central California Alliance for Health)
19	Scripps Health Plan Services, Inc.
20	Seaside Health Plan
21	Sharp Health Plan
22	Sistemas Medicos Nacionales, S.A.de C.V. (SIMNSA Health Plan)
23	Sutter Health Plan (Sutter Health Plus)
24	UHC of California (UnitedHealthcare of California)
25	Ventura County Health Care Plan
26	Western Health Advantage, Inc.

Appendix C:

Lists of Prescription Drugs

25 Most Frequently Prescribed Generic Drugs

Rank	Prescription Drug Name	Therapy Class
1	ATORVASTATIN	Cardiovascular Agents
2	LISINOPRIL	Cardiovascular Agents; Central Nervous System Agents
3	METFORMIN	Blood Glucose Regulators
4	LEVOTHYROXINE	Hormonal Agents - Thyroid
5	AMLODIPINE	Cardiovascular Agents
6	LOSARTAN	Cardiovascular Agents
7	HYDROCHLOROTHIAZIDE	Cardiovascular Agents
8	HYDROCODONE	Analgesics
9	SIMVASTATIN	Cardiovascular Agents
10	OMEPRAZOLE	Gastrointestinal Agents
11	IBUPROFEN	Analgesics; Anti-inflammatory Agents
12	AMOXICILLIN	Antibacterials
13	SERTRALINE	Antidepressants
14	METOPROLOL	Cardiovascular Agents
15	GABAPENTIN	Anticonvulsants
16	ATENOLOL	Cardiovascular Agents
17	GLIPIZIDE	Blood Glucose Regulators
18	MONTELUKAST	Respiratory Tract/Pulmonary Agents
19	BREO	Respiratory Tract/Pulmonary Agents
20	PREDNISONE	Genitourinary Agents; Hormonal Agents - Adrenal; Inflammatory Bowel Disease Agents
21	FLUTICASONE	Dermatological Agents; Respiratory Tract/Pulmonary Agents
22	ESCITALOPRAM	Antidepressants
23	AZITHROMYCIN	Antibacterials
24	TRAZODONE	Antidepressants
25	BUPROPION	Antidepressants

Appendix C:

Lists of Prescription Drugs

25 Most Frequently Prescribed Brand Name Drugs

Rank	Prescription Drug Name	Therapy Class
1	VENTOLIN	Respiratory Tract/Pulmonary Agents
2	HUMULIN	Blood Glucose Regulators
3	SILDENAFIL	Respiratory Tract/Pulmonary Agents
4	QVAR	Inflammatory Bowel Disease Agents; Respiratory Tract/Pulmonary Agents
5	ADVAIR	Respiratory Tract/Pulmonary Agents
6	ESCITALOPRAM	Antidepressants
7	HUMALOG	Blood Glucose Regulators
8	SYNTHROID	Hormonal Agents - Thyroid
9	NUVARING	Contraceptives; Hormonal Agents - Sex Hormones/Modifiers
10	ADDERALL	Central Nervous System Agents
11	LANTUS	Blood Glucose Regulators
12	VYVANSE	Central Nervous System Agents
13	K-TAB	Gastrointestinal Agents
14	ONETOUGH	Glucose Testing Supplies
15	JANUVIA	Blood Glucose Regulators
16	RETIN-A	Dermatological Agents
17	LO LOESTRIN FE	Contraceptives; Hormonal Agents - Sex Hormones/Modifiers
18	NITROFURANTOIN	Antibacterials
19	ARMOUR THYROID	Hormonal Agents - Thyroid
20	CONCERTA	Central Nervous System Agents
21	JARDIANCE	Blood Glucose Regulators
22	PROAIR	Respiratory Tract/Pulmonary Agents
23	ACCU-CHEK	Glucose Testing Supplies
24	ESTRADIOL	Hormonal Agents - Sex Hormones/Modifiers
25	NOVOLOG	Blood Glucose Regulators

Appendix C:

Lists of Prescription Drugs

25 Most Frequently Prescribed Specialty Drugs

Rank	Prescription Drug Name	Therapy Class
1	TRUVADA	Antivirals
2	HUMIRA	Immunological Agents
3	GENVOYA	Antivirals
4	ENBREL	Immunological Agents
5	VICTOZA	Blood Glucose Regulators
6	DESCOVY	Antivirals
7	ANDROGEL	Hormonal Agents - Sex Hormones/Modifiers
8	TRIUMEQ	Antivirals
9	LATUDA	Antipsychotics
10	ODEFSEY	Antivirals
11	TRULICITY	Blood Glucose Regulators
12	TIVICAY	Antivirals
13	OTEZLA	Dermatological Agents; Immunological Agents
14	ATRIPLA	Antivirals
15	VIMPAT	Anticonvulsants
16	XIFAXAN	Antibacterials
17	COSENTYX	Dermatological Agents; Immunological Agents
18	ZARXIO	Blood Products and Modifiers
19	VEMLIDY	Antivirals
20	HUMALOG	Blood Glucose Regulators
21	PREZCOBIX	Antivirals
22	BIKTARVY	Antivirals
23	SENSIPAR	Metabolic Bone Disease Agents
24	ISENTRESS	Antivirals
25	STELARA	Immunological Agents

Appendix C:

Lists of Prescription Drugs

25 Most Costly Generic Drugs by Total Annual Spending

Rank	Prescription Drug Name	Therapy Class
1	ATORVASTATIN	Cardiovascular Agents
2	LEVOTHYROXINE	Hormonal Agents - Thyroid
3	OSELTAMIVIR	Antivirals
4	DEXTROAMPHETAMINE	Central Nervous System Agents
5	CLOBETASOL	Inflammatory Bowel Disease Agents
6	BUPROPION	Antidepressants
7	METHYLPHENIDATE	Central Nervous System Agents
8	ROSUVASTATIN	Cardiovascular Agents
9	ESTRADIOL	Hormonal Agents - Sex Hormones/Modifiers
10	MESALAMINE	Inflammatory Bowel Disease Agents
11	COLCHICINE	Antigout Agents
12	IBUPROFEN	Analgesics; Anti-inflammatory Agents
13	HYDROCODONE	Analgesics
14	TACROLIMUS	Dermatological Agents; Immunological Agents
15	LOSARTAN	Cardiovascular Agents
16	DICLOFENAC	Anti-inflammatory Agents; Analgesics; Dermatological Agents
17	ERTUGLIFLOZIN PIDOLATE	Respiratory Tract/Pulmonary Agents
18	LISINOPRIL	Cardiovascular Agents; Central Nervous System Agents
19	GABAPENTIN	Anticonvulsants
20	METFORMIN	Blood Glucose Regulators
21	ARIPIPRAZOLE	Antidepressants; Antipsychotics
22	LIDOCAINE	Anesthetics
23	SPRINTEC	Contraceptives
24	IMATINIB	Antineoplastics
25	OMEPRAZOLE	Gastrointestinal Agents

Appendix C:

Lists of Prescription Drugs

25 Most Costly Brand Name Drugs by Total Annual Spending

Rank	Prescription Drug Name	Therapy Class
1	ADVAIR	Respiratory Tract/Pulmonary Agents
2	HUMALOG	Blood Glucose Regulators
3	LANTUS	Blood Glucose Regulators
4	JANUVIA	Blood Glucose Regulators
5	VYVANSE	Central Nervous System Agents
6	HUMULIN	Blood Glucose Regulators
7	JARDIANCE	Blood Glucose Regulators
8	NUVARING	Contraceptives; Hormonal Agents - Sex Hormones/Modifiers
9	VENTOLIN	Respiratory Tract/Pulmonary Agents
10	LYRICA	Anticonvulsants; Central Nervous System Agents
11	LIALDA	Inflammatory Bowel Disease Agents
12	QVAR	Respiratory Tract/Pulmonary Agents
13	XARELTO	Blood Products and Modifiers
14	INVOKANA	Blood Glucose Regulators
15	RESTASIS	Ophthalmic Agents
16	ELIQUIS	Blood Products and Modifiers
17	ADDERALL	Central Nervous System Agents
18	TRULICITY	Blood Glucose Regulators
19	CONCERTA	Central Nervous System Agents
20	JANUMET	Blood Glucose Regulators
21	SYMBICORT	Respiratory Tract/ Pulmonary Agents
22	PRADAXA	Blood Products and Modifiers
23	FLOVENT	Inflammatory Bowel Disease Agents; Respiratory Tract/Pulmonary Agents
24	NOVOLOG	Blood Glucose Regulators
25	LO LOESTRIN FE	Contraceptives; Hormonal Agents - Sex Hormones/Modifiers

Appendix C:

Lists of Prescription Drugs

25 Most Costly Specialty Drugs by Total Annual Spending

Rank	Prescription Drug Name	Therapy Class
1	HUMIRA	Immunological Agents
2	ENBREL	Immunological Agents
3	TRUVADA	Antivirals
4	GENVOYA	Antivirals
5	REVLIMID	Antineoplastics
6	STELARA	Immunological Agents
7	TRIUMEQ	Antivirals
8	IBRANCE	Antineoplastics
9	ODEFSEY	Antivirals
10	COSENTYX	Dermatological Agents; Immunological Agents
11	TECFIDERA	Central Nervous System Agents
12	OTEZLA	Dermatological Agents; Immunological Agents
13	DESCOVY	Antivirals
14	EPCLUSA	Antivirals
15	LATUDA	Antipsychotics
16	COPAXONE	Central Nervous System Agents
17	HARVONI	Antivirals
18	TIVICAY	Antivirals
19	VICTOZA	Blood Glucose Regulators
20	SPRYCEL	Antineoplastics
21	ATRIPLA	Antivirals
22	TAGRISSO	Antineoplastics
23	NUTROPIN	Hormonal Agents, Stimulant/Replacement/Modifying - Pituitary
24	ZARXIO	Blood Products and Modifiers
25	GILENYA	Central Nervous System Agents

Appendix C:

Lists of Prescription Drugs

25 Generic Drugs with the Highest Year-Over-Year Increase in Total Spending

Rank	Prescription Drug Name	Therapy Class
1	OSELTAMIVIR	Antivirals
2	MESALAMINE	Inflammatory Bowel Disease Agents
3	SILDENAFIL	Respiratory Tract/Pulmonary Agents
4	DEXTROAMPHETAMINE	Central Nervous System Agents
5	ESTRADIOL	Hormonal Agents - Sex Hormones/Modifiers
6	TENOFOVIR	Antivirals
7	DICLOFENAC	Anti-inflammatory Agents; Analgesics; Dermatological Agents
8	SEVELAMER	Electrolytes/Minerals/Metals/Vitamins
9	ROSUVASTATIN	Cardiovascular Agents
10	ATOMOXETINE	Central Nervous System Agents
11	PORTIA	Contraceptives
12	TESTOSTERONE	Hormonal Agents - Sex Hormones/Modifiers
13	METFORMIN	Blood Glucose Regulators
14	ATORVASTATIN	Cardiovascular Agents
15	COLCHICINE	Antigout Agents
16	ENOXAPARIN	Blood Products and Modifiers
17	LOSARTAN	Cardiovascular Agents
18	PEG 3350/ELECTROLYTES	Gastrointestinal Agents
19	SERTRALINE	Antidepressants
20	ARIPIPRAZOLE	Antidepressants; Antipsychotics
21	GUAIFENESIN	Respiratory Tract/Pulmonary Agents
22	CHLORZOXAZONE	Skeletal Muscle Relaxants
23	JUNEL	Contraceptives
24	DESVENLAFAXINE	Antidepressants
25	XULANE	Contraceptives

Appendix C:

Lists of Prescription Drugs

25 Brand Name Drugs with the Highest Year-Over-Year Increase in Total Spending

Rank	Prescription Drug Name	Therapy Class
1	ADVAIR	Respiratory Tract/Pulmonary Agents
2	JARDIANCE	Blood Glucose Regulators
3	TRULICITY	Blood Glucose Regulators
4	HUMALOG	Blood Glucose Regulators
5	VYVANSE	Central Nervous System Agents
6	ELIQUIS	Blood Products and Modifiers
7	JANUVIA	Blood Glucose Regulators
8	HUMULIN	Blood Glucose Regulators
9	PRADAXA	Blood Products and Modifiers
10	XARELTO	Blood Products and Modifiers
11	LYRICA	Anticonvulsants; Central Nervous System Agents
12	CONCERTA	Central Nervous System Agents
13	LANTUS	Blood Glucose Regulators
14	NUVARING	Contraceptives; Hormonal Agents - Sex Hormones/Modifiers
15	BREO	Respiratory Tract/Pulmonary Agents
16	QVAR	Respiratory Tract/Pulmonary Agents
17	SHINGRIX	Vaccines
18	VENTOLIN	Respiratory Tract/Pulmonary Agents
19	BASAGLAR	Blood Glucose Regulators
20	CHANTIX	Anti-Addiction/Substance Abuse Treatment Agents
21	TRUVADA	Antivirals
22	XIIDRA	Ophthalmic Agents
23	RESTASIS	Ophthalmic Agents
24	BYDUREON	Blood Glucose Regulators
25	TRINTELLIX	Antidepressants

Appendix C:

Lists of Prescription Drugs

25 Specialty Drugs with the Highest Year-Over-Year Increase in Total Spending

Rank	Prescription Drug Name	Therapy Class
1	HUMIRA	Immunological Agents
2	ENBREL	Immunological Agents
3	TRUVADA	Antivirals
4	STELARA	Immunological Agents
5	GENVOYA	Antivirals
6	COSENTYX	Dermatological Agents; Immunological Agents
7	REVLIMID	Antineoplastics
8	IBRANCE	Antineoplastics
9	TAGRISSE	Antineoplastics
10	DUPIXENT	Dermatological Agents; Immunological Agents
11	TRIUMEQ	Antivirals
12	XELJANZ	Immunological Agents
13	ODEFSEY	Antivirals
14	MAVYRET	Antivirals
15	OTEZLA	Dermatological Agents; Immunological Agents
16	ZYTIGA	Antineoplastics
17	DESCOVY	Antivirals
18	IMBRUVICA	Antineoplastics
19	LATUDA	Antipsychotics
20	TENOFOVIR	Antivirals
21	VEMLIDY	Antivirals
22	SPRYCEL	Antineoplastics
23	HAEGARDA	Immunological Agents
24	VICTOZA	Blood Glucose Regulators
25	TIVICAY	Antivirals

Appendix D:

Senate Bill 17 Text

Health and Safety Code § 1367.243.

- (a) (1) A health care service plan that reports rate information pursuant to Section 1385.03 or 1385.045 shall report the information described in paragraph (2) to the department no later than October 1 of each year, beginning October 1, 2018.
- (2) For all covered prescription drugs, including generic drugs, brand name drugs, and specialty drugs dispensed at a plan pharmacy, network pharmacy, or mail order pharmacy for outpatient use, all of the following shall be reported:
- (A) The 25 most frequently prescribed drugs.
 - (B) The 25 most costly drugs by total annual plan spending.
 - (C) The 25 drugs with the highest year-over-year increase in total annual plan spending.
- (b) The department shall compile the information reported pursuant to subdivision (a) into a report for the public and legislators that demonstrates the overall impact of drug costs on health care premiums. The data in the report shall be aggregated and shall not reveal information specific to individual health care service plans.
- (c) For the purposes of this section, a “specialty drug” is one that exceeds the threshold for a specialty drug under the Medicare Part D program (Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (Public Law 108-173)).
- (d) By January 1 of each year, beginning January 1, 2019, the department shall publish on its Internet Web site the report required pursuant to subdivision (b).
- (e) After the report required in subdivision (b) is released, the department shall include the report as part of the public meeting required pursuant to subdivision (b) of Section 1385.045.
- (f) Except for the report required pursuant to subdivision (b), the department shall keep confidential all of the information provided to the department pursuant to this section, and the information shall be protected from public disclosure.

Appendix E:

Glossary

Administrative Expenses/Costs: Business expenses associated with general administration, agents/brokers fees and commissions, direct sales salaries, workforce salaries and benefits, loss adjustment expenses, cost containment expenses, and community benefit expenditures. (Federal MLR definition: 45 CFR 158.160, https://www.ecfr.gov/cgi-bin/text-idx?SID=6ea1241a2b8614a67ad2f095f440d710&mc=true&node=se45.1.158_1160&rgn=div8.)

Allowed Dollar Amount: Total payments made under the policy to health care providers on behalf of covered members, including payments made by issuers and member cost sharing. (Healthcare.gov Glossary, <https://www.healthcare.gov/glossary/allowed-amount/>.)

Annual Plan Spending: Total payments made under the policy to health care providers on behalf of covered members, including payments made by issuers and member cost sharing = Allowed Dollar Amount. (Healthcare.gov Glossary, <https://www.healthcare.gov/glossary/allowed-amount/>.) In this report, the terms “Prescription Drug Spending” and “Medical Claim Spending” are used to describe these components of Annual Plan Spending.

Biological Product: Biological products are regulated by the Food and Drug Administration (FDA) and are used to diagnose, prevent, treat, and cure diseases and medical conditions. Biological products are a diverse category of products and are generally large, complex molecules. These products may be produced through biotechnology in a living system. (FDA, <https://www.fda.gov/Drugs/DevelopmentApprovalProcess/HowDrugsareDevelopedandApproved/ApprovalApplications/TherapeuticBiologicApplications/Biosimilars/ucm580419.htm>.)

Biosimilar Product: A biosimilar is a biological product that is highly similar to and has no clinically meaningful differences from an existing FDA-approved reference product. Treated in this report as Generic, unless the plan- or insurer-negotiated monthly cost exceeds the threshold for a Specialty Drug. (FDA, <https://www.fda.gov/Drugs/DevelopmentApprovalProcess/HowDrugsareDevelopedandApproved/ApprovalApplications/TherapeuticBiologicApplications/Biosimilars/ucm580419.htm>.)

Brand Name Drug: Medications protected by patents that grant their makers exclusive marketing rights for several years. When patents expire, other manufacturers can sell generic copies at lower prices. (AARP Medicare Part D Glossary, https://www.aarp.org/health/medicare-insurance/info-11-2009/Medicare_partD_guide_glossery.html.)

Dispensed at Pharmacy: Dispensed at a plan pharmacy, network pharmacy, or mail order pharmacy for outpatient use. (SB 17, https://leginfo.ca.gov/faces/billTextClient.xhtml?bill_id=201720180SB17.)

Formulary: List of drugs used to treat patients in a drug benefit plan. Products listed on a formulary are covered for reimbursement at varying levels. (PBMI Drug Glossary, https://www.pbmi.com/PBMI/Services/Drug_Benefit_Glossary/PBMI/Services/Drug_Benefit_Glossary.aspx?hkey=1051faba-063f-4ae3-a95b-70cd0476f1db.)

Appendix E:

Glossary

Generic Drug: A generic drug is a medication created to be the same as an already marketed brand name drug in dosage, form, safety, strength, route of administration, quality, performance characteristics, and intended use. These similarities help to demonstrate bioequivalence, which means that a generic drug works in the same way and provides the same clinical benefit as its brand name version. In other words, a generic drug is an equal substitute for its brand name counterpart. (FDA, <https://www.fda.gov/Drugs/ResourcesForYou/Consumers/QuestionsAnswers/ucm100100.htm>.)

Interchangeable Product: An interchangeable product is a biosimilar product that meets additional requirements outlined by the Biologics Price Competition and Innovation Act. (FDA, <https://www.fda.gov/Drugs/DevelopmentApprovalProcess/HowDrugsareDevelopedandApproved/ApprovalApplications/TherapeuticBiologicApplications/Biosimilars/ucm580419.htm>.)

Mail Order: Licensed pharmacy established to dispense maintenance medications for chronic use in quantities greater than normally purchased at a retail pharmacy. The mail order pharmacy usually uses highly automated equipment so that non-pharmacists perform many routine tasks. As a result, mail order can typically dispense medication at a lower cost per prescription. (PBMI Drug Glossary, https://www.pbmi.com/PBMI/Services/Drug_Benefit_Glossary/PBMI/Services/Drug_Benefit_Glossary.aspx?hkey=1051faba-063f-4ae3-a95b-70cd0476f1db.)

Member Cost Sharing: Total payments made by members under the policy for prescription drugs, including copays, deductibles, and coinsurances = Allowed Dollar Amount – Paid Plan Cost.

Member Months: The total number of lives, including dependents, insured on a pre-specified day of each month of the reporting period.

National Drug Code (NDC): Numeric system to identify drug products in the United States. A drug's NDC number is often expressed using a 3-segment-number where the first segment identifies the manufacturer, the second identifies the product and strength, and the last identifies the package size and type. (PBMI Drug Glossary, https://www.pbmi.com/PBMI/Services/Drug_Benefit_Glossary/PBMI/Services/Drug_Benefit_Glossary.aspx?hkey=1051faba-063f-4ae3-a95b-70cd0476f1db.)

Number of Prescriptions: A 30-day supply is treated as a unit. Between 1- to 30-day supply is 1 unit, between 31- to 60-day supply is 2 units, and more than a 60-day supply is treated as 3 units.

Paid Dollar Amount: Allowed Dollar Amount minus the member cost-sharing amount = Incurred Costs. (If this term is related to drug cost only, excludes Manufacturer Rebate.)

Paid Plan Claim (Paid Plan Cost): Allowed Dollar Amount minus the member cost-sharing amount = Incurred Costs. (If this term is related to drug cost only, excludes Manufacturer Rebate.)

Appendix E:

Glossary

Pharmacy Benefit Manager (PBM): Organization dedicated to administering prescription benefit management services to employers, health plans, third-party administrators, union groups, and other plan sponsors. A full-service PBM maintains eligibility, adjudicates prescription claims, provides clinical services and customer support, contracts and manages pharmacy networks, and provides management reports. (PBMI Drug Glossary, https://www.pbmi.com/PBMI/Services/Drug_Benefit_Glossary/PBMI/Services/Drug_Benefit_Glossary.aspx?hkey=1051faba-063f-4ae3-a95b-70cd0476f1db.)

Pharmacy Benefits Carve-In: Management of the drug benefit is included with the management of the medical benefit, using a single entity and contract to administer both benefits. (PBMI Drug Glossary, https://www.pbmi.com/PBMI/Services/Drug_Benefit_Glossary/PBMI/Services/Drug_Benefit_Glossary.aspx?hkey=1051faba-063f-4ae3-a95b-70cd0476f1db.)

Pharmacy Benefits Carve-Out: Management of the drug benefit is separate from the management of the medical benefit, using two different entities or two separate contracts to administer the benefits. (PBMI Drug Glossary, https://www.pbmi.com/PBMI/Services/Drug_Benefit_Glossary/PBMI/Services/Drug_Benefit_Glossary.aspx?hkey=1051faba-063f-4ae3-a95b-70cd0476f1db.)

Per Member Per Month (PMPM): Measure used to assess population-based metrics such as cost or utilization, computed by dividing the total monthly cost/utilization/other measure by the total number of member months for the population over a specific time period. (PBMI Drug Glossary, https://www.pbmi.com/PBMI/Services/Drug_Benefit_Glossary/PBMI/Services/Drug_Benefit_Glossary.aspx?hkey=1051faba-063f-4ae3-a95b-70cd0476f1db.)

Prescription Drug: A self-administered drug approved by the FDA for sale to the public through retail or mail order pharmacies that requires a prescription and is not provided for use on an inpatient basis or administered in a clinical setting or by a licensed health care provider. The term includes: (i) disposable devices that are medically necessary for the administration of a covered prescription drug, such as spacers and inhalers for the administration of aerosol outpatient prescription drugs; (ii) syringes for self-injectable prescription drugs that are not dispensed in pre-filled syringes; (iii) drugs, devices, and FDA-approved products covered under the prescription drug benefit of the product pursuant to sections 1367.002 and 1367.25 of the Health and Safety Code, including any such over-the-counter drugs, devices, and FDA-approved products; and (iv) at the option of the health care service plan, any vaccines or other health benefits covered under the prescription drug benefit of the product. (FDA, <https://www.fda.gov/Drugs/ResourcesForYou/Consumers/QuestionsAnswers/ucm100101.htm>.)

Rebate: A partial repayment from pharmaceutical manufacturers to pharmacy benefit managers (PBMs) based on the market share of a targeted drug. Depending on client contract terms, PBMs may share some or all rebates with its clients (e.g., health plans, employer groups, etc.) (PBMI Drug Glossary, https://www.pbmi.com/PBMI/Services/Drug_Benefit_Glossary/PBMI/Services/Drug_Benefit_Glossary.aspx?hkey=1051faba-063f-4ae3-a95b-70cd0476f1db.)

Appendix E:

Glossary

Reference Product: A reference product is the single biological product, already approved by the FDA, against which a proposed biosimilar product is compared. A reference product is approved based on, among other things, a full complement of safety and effectiveness data. Treated in this report as Brand Name or Brand Name Specialty. (FDA, <https://www.fda.gov/Drugs/DevelopmentApprovalProcess/HowDrugsareDevelopedandApproved/ApprovalApplications/TherapeuticBiologicApplications/Biosimilars/ucm580419.htm>.)

Retail: Medications are purchased at a retail pharmacy.

Specialty Drug: A drug with a plan- or insurer-negotiated monthly cost that exceeds the threshold for a specialty drug under the Medicare Part D program (Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (Public Law 108-173)). In 2018, the threshold amount is \$670 for a one-month supply. (SB 17, <https://www.cms.gov/Medicare/Health-Plans/MedicareAdvtgSpecRateStats/Downloads/Announcement2018.pdf>.)

DEPARTMENT OF
Managed
Health Care

A green outline of the state of California is positioned behind the text. The word "Managed" is in a smaller blue font, while "Health Care" is in a larger, bold blue font. The green outline of California is partially obscured by the text, with the word "Health" overlapping the left side and "Care" overlapping the right side.