

Public Meeting on Large Group Aggregate Rates and Prescription Drug Costs

March 12, 2019

Agenda

1. Welcome & Introductions
2. Overview of the DMHC
3. Overview of the Requirements of SB 17, Prescription Drug Cost Transparency
4. Summary of 2018 Prescription Drug Cost Information
5. Overview of the Requirements of SB 546, Large Group Aggregate Rates
6. Summary of 2018 Large Group Rate Filings
7. Public Comment
8. Closing Remarks

Panel

Mary Watanabe

Deputy Director, Health Policy and Stakeholder Relations
Department of Managed Health Care

Pritika Dutt

Deputy Director, Office of Financial Review
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Cabe Chadick, FSA, MAAA

President & Managing Principal, Lewis & Ellis, Inc.

Overview of the DMHC

Mary Watanabe

Deputy Director, Health Policy and Stakeholder Relations

DMHC Mission Statement

The California Department of Managed Health Care protects consumers' health care rights and ensures a stable health care delivery system.

What is the DMHC?

Regulator of full service and specialized health plans

- All HMO and some PPO/EPO products
- Some large group and most individual products, most small group, and Medi-Cal Managed Care plans
- Dental, vision, behavioral health, chiropractic and prescription drug
- Medicare Advantage (for financial solvency)

more than

26

million Californians' health care rights are protected by the DMHC.



Health Care Premiums Saved Through the Rate Review Program

Since 2011

\$ 226

Million Dollars



DMHC Key Functions

- Consumer Protection / DMHC Help Center
- License Health Plans & Ensure Compliance with State Laws
- Medical Surveys of Health Plan Operations
- Financial Exams to Ensure Financial Stability
- Review Proposed Premium Rate Changes (Individual & Small Group Products)
- Take Enforcement Action Against Plans that Violate the Law

DMHC Help Center

1-888-466-2219

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Overview of the Requirements of SB 17, Prescription Drug Cost Transparency

Mary Watanabe

Deputy Director, Health Policy and Stakeholder Relations

Requirements of SB 17

Prescription Drug Cost Transparency

- Health plans must report to the DMHC:
 - 25 most frequently prescribed drugs
 - 25 most costly drugs by total annual spending
 - 25 drugs with highest year-over-year increase in total annual spending
- Health plans must report by October 1, 2018, and annually thereafter
- DMHC will issue a report to the Legislature with aggregate data beginning January 1, 2019, and annually thereafter

Requirements of SB 17

Prescription Drug Cost Transparency

Additional reporting requirements for large group market:

- Percent of premium attributable to drug costs for the prior year of each category of prescription drugs (e.g. generic, brand name, and specialty).
- Year-over-year increase for each drug category.
- Year-over-year increase for drug prices compared to other components of the health care premium.
- Specialty tier formulary list.
- Percent of premium attributable to drugs administered in a doctor's office that are covered under the medical benefit as separate from the pharmacy benefit, if available.
- Information on use of a pharmacy benefit manager.

SB 17 Reporting Parameters and Limitations

- Plan reporting is limited to prescription drug costs associated with the pharmacy benefit
- Does not include prescription drug costs for inpatient drugs (hospital) or costs borne by delegated medical groups
- Does not include prescription drug costs for self-funded arrangements, Medi-Cal Managed Care, Medicare Advantage and plans/insurers not regulated by the DMHC
- Includes information from 25 health plans covering approximately 12.3 million Californians

Summary of 2018 Prescription Drug Cost Information

Mary Watanabe

Deputy Director, Health Policy and Stakeholder Relations

SB 17 Key Findings

- Health plans paid nearly \$8.7 billion for prescription drugs administered through the pharmacy benefit in 2017.
- Prescription drugs accounted for 13.1% of total health plan premiums.
- Manufacturer drug rebates accounted for approximately \$915 million or about 10.5% of the \$8.7 billion spent on prescription drugs.

SB 17 Key Findings

- While specialty drugs accounted for 1.6% of all prescription drugs, they accounted for over half (51.5%) of total annual spending on prescription drugs.
- For the 25 most frequently prescribed drugs, enrollees paid approximately 3% of the cost of specialty drugs and over half (56.6%) of the cost of generics.
- The SB 17 Annual Report is available on the DMHC's website at <http://www.healthhelp.ca.gov/>.

25 Most Frequently Prescribed Generic Drugs

Rank	Prescription Drug Name	Rank	Prescription Drug Name	Rank	Prescription Drug Name
1	ATORVASTATIN	10	IBUPROFEN	19	MONTELUKASTSODIUM
2	LISINOPRIL	11	OMEPRAZOLE	20	PREDNISONE
3	METFORMIN	12	AMOXICILLIN	21	AZITHROMYCIN
4	LEVOTHYROXINESODIUM	13	ATENOLOL	22	SILDENAFIL
5	AMLODIPINEBESYLATE	14	SERTRALINE	23	LEVORA
6	LOSARTANPOTASSIUM	15	METOPROLOL	24	GABAPENTIN
7	HYDROCODONEBITARTRATE AND ACETAMINOPHEN	16	GLIPIZIDE	25	ALPRAZOLAM
8	SIMVASTATIN	17	FLUOXETINE		
9	HYDROCHLOROTHIAZIDE	18	FLUTICASONE		

25 Most Frequently Prescribed Brand Name Drugs

Rank	Prescription Drug Name	Rank	Prescription Drug Name	Rank	Prescription Drug Name
1	VENTOLIN	10	PROAIR	19	NITROFURANTOINMON OHYDRATE
2	HUMULIN	11	VYVANSE	20	ACCU-CHEKAVIVAPLUS
3	QVAR	12	K-TAB	21	CLIMARA
4	SYNTHROID	13	DULERA	22	ARMOURTHYROID
5	NUVARING	14	HUMULINR	23	FLUARIXQUADRIVALENT
6	ADDERALL	15	ONETOUCH	24	PREMARIN
7	LANTUS	16	JANUVIA	25	FLOVENT
8	HUMALOG	17	RETIN-A		
9	ADVAIR	18	LOLOESTRINFE		

25 Most Frequently Prescribed Specialty Drugs

Rank	Prescription Drug Name	Rank	Prescription Drug Name	Rank	Prescription Drug Name
1	TRUVADA	10	LATUDA	19	LIALDA
2	HUMIRA	11	VICTOZA	20	ZARXIO
3	ENBREL	12	TRIUMEQ	21	XIFAXAN
4	GENVOYA	13	ATRIPLA	22	ARIPIPIRAZOLE
5	HUMALOG	14	TRULICITY	23	ISENTRESS
6	VIREAD	15	ODEFSEY	24	METFORMINHYDROCHLORIDE
7	ANDROGEL	16	TIVICAY	25	SENSIPAR
8	DESCOVY	17	NOVOLOG		
9	SUPREPBOWELPREP	18	OTEZLA		

25 Most Costly Generic Drugs by Total Annual Spending

Rank	Prescription Drug Name	Rank	Prescription Drug Name	Rank	Prescription Drug Name
1	ATORVASTATIN	10	BUDESONIDE	19	EPINEPHRINE
2	LEVOTHYROXINESODIUM	11	DULOXETINEHYDR OCHLORIDE	20	COLCHICINE
3	METHYLPHENIDATEHYDROCH LORIDE	12	ENTECAVIR	21	ESTRACE
4	HYDROCODONEBITARTRATEA NDACETAMINOPHEN	13	LIDOCAINE	22	ESTRADIOL
5	CLOBETASOLPROPIONATE	14	LISINOPRIL	23	MICROGESTINFE
6	BUPROPIONHYDROCHLORIDE	15	ROSUVASTATIN	24	LOSARTANPOTASSIUM
7	ARIPIPRAZOLE	16	GABAPENTIN	25	TACROLIMUS
8	METFORMINHYDROCHLORIDE	17	LEVORA		
9	IBUPROFEN	18	OMEPRAZOLE		

25 Most Costly Brand Name Drugs by Total Annual Spending

Rank	Prescription Drug Name	Rank	Prescription Drug Name	Rank	Prescription Drug Name
1	LANTUSSOLOSTAR	10	VENTOLINHFA	19	SYMBICORT
2	ADVAIR	11	LIALDA	20	CONCERTA
3	HUMALOG	12	INVOKANA	21	FLOVENT
4	JANUVIA	13	LYRICA	22	JARDIANCE
5	HUMULIN	14	DULERA	23	ONETOUCH
6	VYVANSE	15	RESTASIS	24	ACCU-CHEKAVIVAPLUS
7	NUVARING	16	XARELTO	25	LOLOESTRINFE
8	QVAR	17	JANUMET		
9	ADDERALL	18	ELIQUIS		

25 Most Costly Specialty Drugs by Total Annual Spending

Rank	Prescription Drug Name	Rank	Prescription Drug Name	Rank	Prescription Drug Name
1	HUMIRA	10	TECFIDERA	19	HUMALOG
2	ENBREL	11	STELARA	20	COSENTYX
3	TRUVADA	12	IBRANCE	21	ANDROGEL
4	HARVONI	13	COPAXONE	22	GILENYA
5	GENVOYA	14	ODEFSEY	23	TIVICAY
6	REVLIMID	15	VIREAD	24	ZARXIO
7	EPCLUSA	16	OTEZLA	25	VICTOZA
8	ATRIPLA	17	DESCOVY		
9	TRIUMEQ	18	SPRYCEL		

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

Rank	Prescription Drug Name	Rank	Prescription Drug Name	Rank	Prescription Drug Name
1	LIDOCAINE	10	ATORVASTATINCALCIUM	19	BUPROPIONHYDROCHLORIDE
2	EZETIMIBEANDSIMVASTATIN	11	EPINEPHRINE	20	HYDROCODONEBITARTRATE AND ACETAMINOPHEN
3	DICLOFENACSODIUM	12	LEVORA	21	METHYLPHENIDATE HYDROCHLORIDE
4	ARIPIPRAZOLE	13	OFLOXACIN	22	ESTRACE
5	YUVAFEM	14	DEXTROAMPHETAMINES ACCHARATE	23	CLARAVIS
6	OSELTAMIVIRPHOSPHATE	15	ONDANSETRON	24	OLMESARTANMEDOXOMIL
7	IMATINIBMESYLATE	16	MICROGESTINFE	25	AMLODIPINEBESYLATE
8	MESALAMINE	17	TRETINOIN		
9	ROSUVASTATIN	18	LIDO-K		

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

Rank	Prescription Drug Name	Rank	Prescription Drug Name	Rank	Prescription Drug Name
1	JARDIANCE	10	ELIQUIS	19	NUVARING
2	VENTOLIN	11	CHANTIX	20	BREOELLIPTA
3	CONCERTA	12	JANUVIA	21	ONETOUCH
4	HUMULIN	13	LYRICA	22	XARELTO
5	HUMALOG	14	PRADAXA	23	XIIDRA
6	QVAR	15	ACCU-CHEKAVIVAPLUS	24	GENVOYA
7	LIALDA	16	DULERA	25	LOLOESTRINFE
8	ADVAIR	17	TRINTELLIX		
9	VYVANSE	18	TRADJENTA		

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

Rank	Prescription Drug Name	Rank	Prescription Drug Name	Rank	Prescription Drug Name
1	GENVOYA	10	HUMALOG	19	PREZCOBIX
2	HUMIRA	11	ENBREL	20	ADVATE
3	ODEFSEY	12	TRUVADA	21	IMATINIB
4	DESCOVY	13	COSENTYX	22	SPRYCEL
5	EPCLUSA	14	OTEZLA	23	LATUDA
6	STELARA	15	TRULICITY	24	OPSUMIT
7	TRIUMEQ	16	XELJANZ	25	POMALYST
8	IBRANCE	17	TIVICAY		
9	REVLIMID	18	IMBRUVICA		

Overview of the Requirements of SB 546, Large Group Aggregate Rates

Mary Watanabe

Deputy Director, Health Policy and Stakeholder Relations

Requirements of SB 546

Large Group Aggregate Rates

- Requires large group health plans to file aggregate rate information with the DMHC by October 1, 2016, and annually thereafter.
 - The information submitted on October 1, 2018, was for the period of January 1, 2018 – December 31, 2018.
- Requires the DMHC to conduct a public meeting annually to permit a public discussion regarding changes in the rates, benefits and cost sharing in the large group market.

Requirements of SB 546

Large Group Aggregate Rates

Requires health plans to include information in their notice of premium rate change indicating whether the rate change is greater than the average increase for CalPERS and Covered California.

Year	Covered California	CalPERS
2017	13.2%	3.9%
2018	21.1%	2.5%
2019	8.7%	1.1%

Summary of 2018 Large Group Rate Filings

Cabe Chadick, FSA, MAAA
President & Managing Principal
Lewis & Ellis, Inc.

Premium Rate

- Premium Rate is the amount you or your employer pays for health coverage.
- Factors that may impact large group premium rates include:
 - Age
 - Geography/Location
 - Family Size
 - Occupation/Industry
 - Health Status Factors (experience and utilization)

Summary of 2018 Filing

- 24 Health Care Service Plans were required to file, including:
 - Seven statewide plans
 - Ten regional plans
 - Two cross-border plans
 - Five In-Home Support Services (IHSS) Plans
- Over 7.8 million enrollees in roughly 13,600 renewing groups affected by the rate changes.
- Analysis excludes data for cross-border and IHSS Plans.

Average Rate Increase

Category	Unadjusted Average Rate Increase	Adjusted Average Rate Increase	Number of Enrollees	Average Premium Per Member Per Month (PMPM)
All Plans	5.4%	5.7%	7,714,728	\$487.99
Kaiser	4.7%	4.9%	5,034,656	\$468.80
All Plans Minus Kaiser	6.6%	7.0%	2,784,810	\$514.80
Most Common Plan	5.3%	5.3%	N/A	N/A

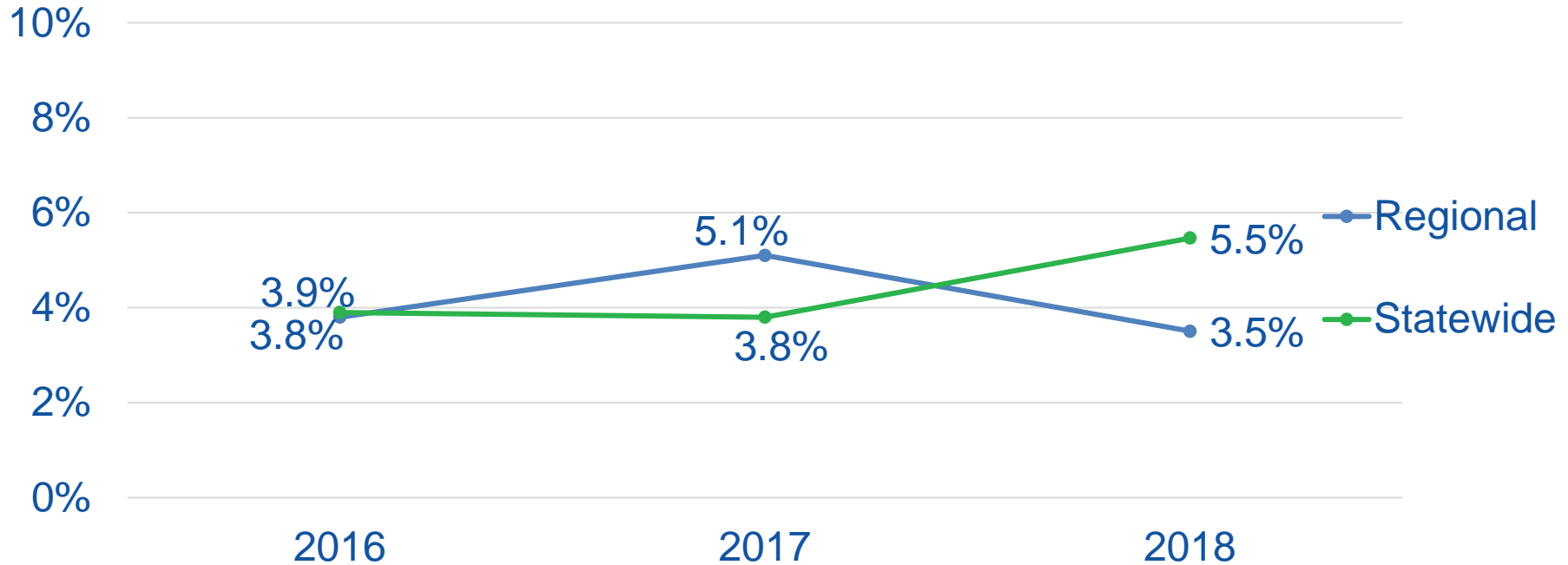
Statewide Plans

Plan Name	Number of Enrollees	Number of Renewing Groups	Percentage of Large Group Total	Unadjusted Average Rate Increase	Adjusted Average Rate Increase	Average Premium PMPM
Kaiser	5,034,656	7,827	65.3%	4.7%	4.9%	\$468.80
Anthem Blue Cross	1,044,835	1,989	13.5%	6.0%	7.3%	\$527.57
Blue Shield	424,996	890	5.5%	6.4%	4.8%	\$524.54
UnitedHealthcare	415,094	538	5.4%	9.3%	9.0%	\$508.97
Health Net	283,962	509	3.7%	6.6%	7.1%	\$545.00
Aetna Health	139,018	586	1.8%	8.5%	10.1%	\$475.75
Cigna Healthcare	114,984	287	1.5%	7.4%	7.4%	\$558.00
Total:	7,457,545	12,626	96.7%	5.5%	5.7%	\$486.85

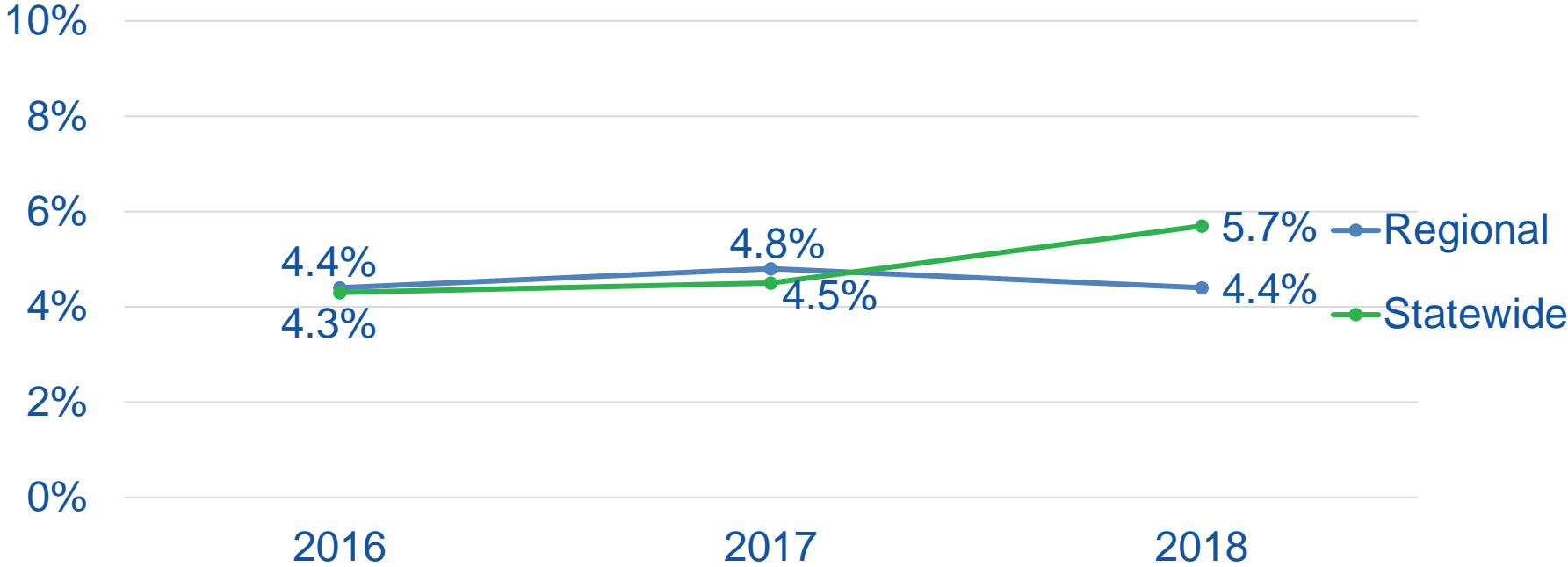
Regional Plans

Plan Name	Number of Enrollees	Number of Renewing Groups	Percentage of Large Group Total	Unadjusted Average Rate Increase	Adjusted Average Rate Increase	Average Premium PMPM
Western Health Advantage	77,913	211	1.0%	3.4%	5.0%	\$523.17
Sharp Health Plan	69,378	126	0.9%	3.5%	4.7%	\$489.45
Sutter Health Plus	40,492	189	0.5%	3.1%	3.9%	\$492.75
Valley Health Plan	20,940	2	0.3%	3.0%	3.0%	\$771.74
Ventura County Health Care Plan	14,537	6	0.2%	9.5%	9.5%	\$446.79
Scripps Health Plan	12,938	1	0.2%	0.0%	0.0%	\$478.24
Community Care	9,414	7	0.1%	3.9%	3.9%	\$442.00
Contra Costa Health Plan	8,789	4	0.1%	3.8%	3.8%	\$571.23
Chinese Community	2,556	27	0.0%	4.3%	4.3%	\$449.13
Seaside Health Plan	226	1	0.0%	0.0%	0.0%	\$527.34
Total:	257,183	574	3.3%	3.5%	4.4%	\$520.88

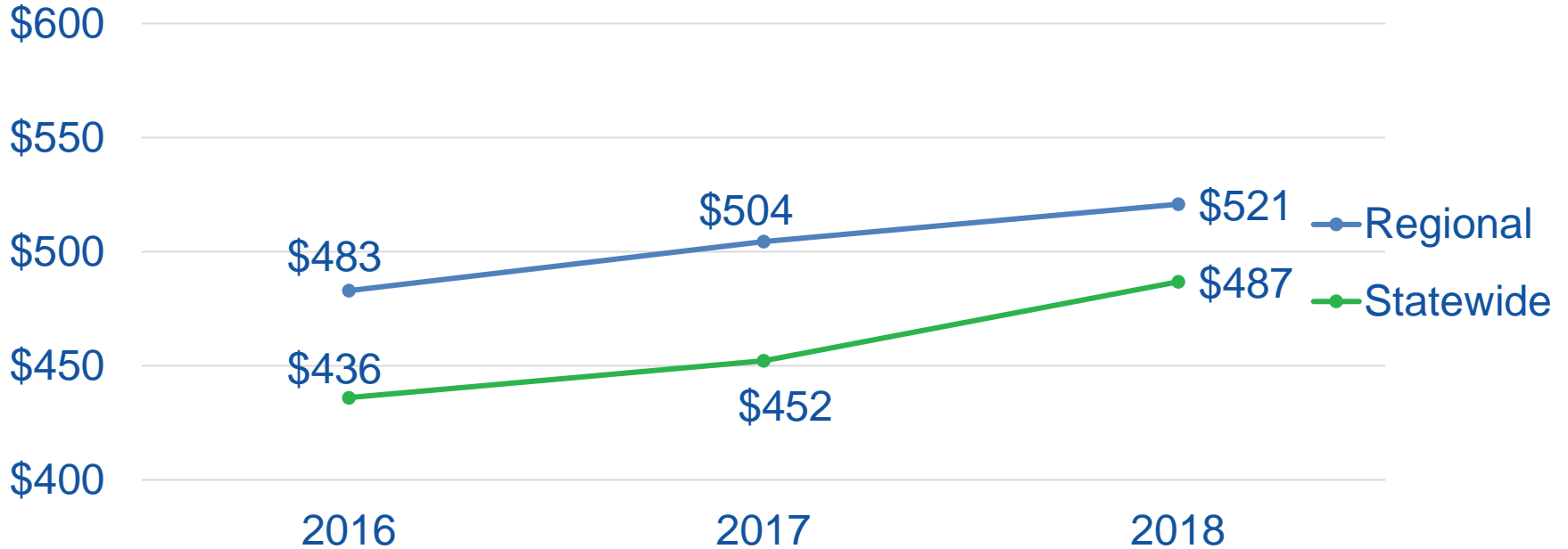
Unadjusted Average Rate Increase



Adjusted Average Rate Increase



Average Premium PMPM



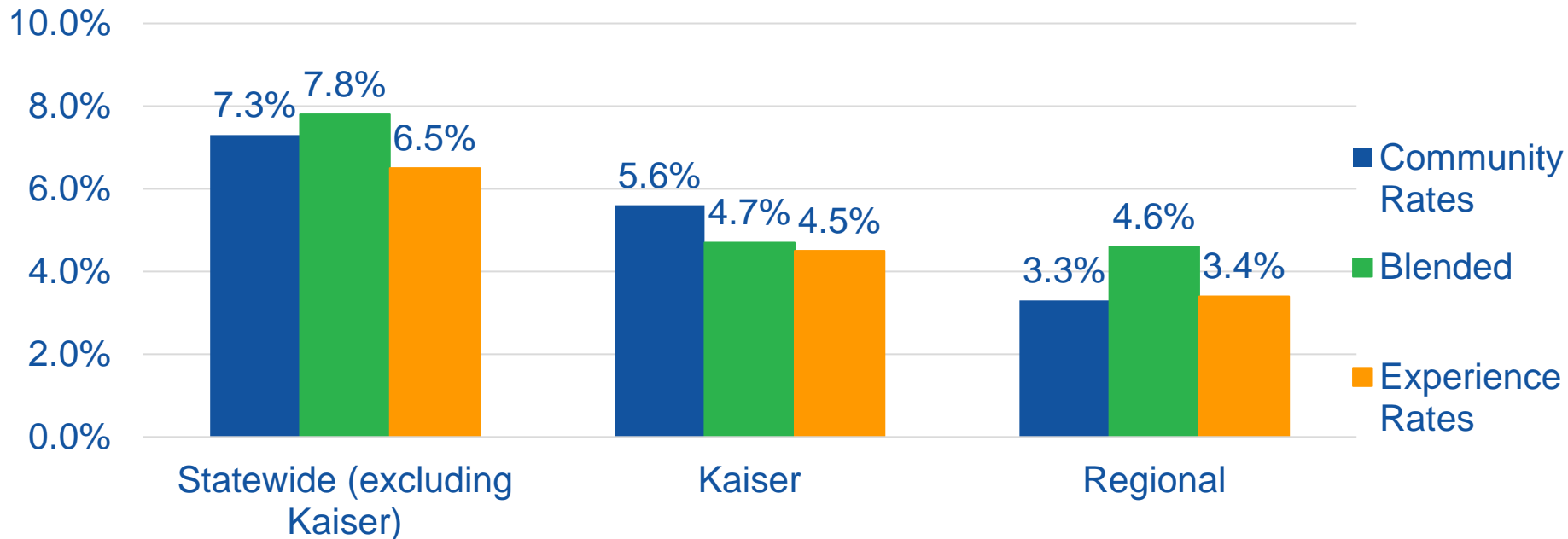
Product Type

Product Type	Average Rate Increase	Minimum	Maximum	Average Premium PMPM
PPO	6.6%	5.9%	6.8%	\$602.00
POS	6.4%	5.3%	8.1%	\$536.33
HDHP	6.2%	-10.3%	9.5%	\$443.84
HMO	5.3%	0.0%	24.0%	\$480.77
EPO	0.0%	0.0%	0.0%	\$762.73

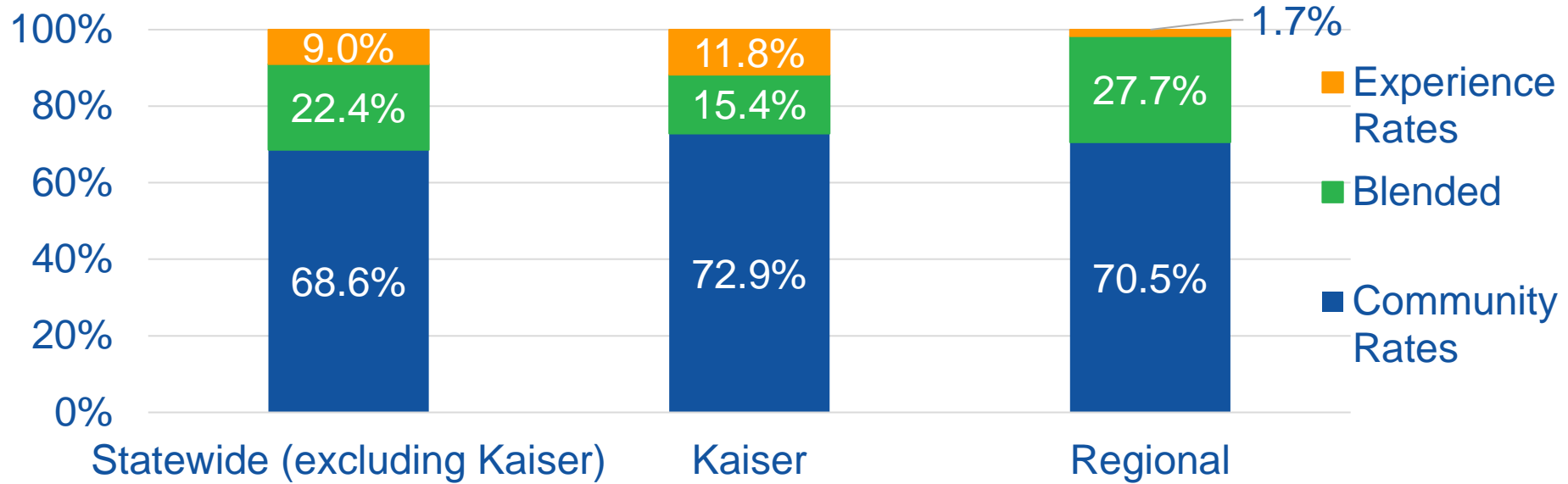
Rating Method

Category	Percentage of Renewing Groups	Number of Enrollees Affected	Unadjusted Average Rate Increase	Average Premium PMPM
Community	71%	1,153,226	6.1%	\$494.43
Blended	19%	1,028,890	6.0%	\$472.43
Experience	10%	5,532,352	5.1%	\$489.62

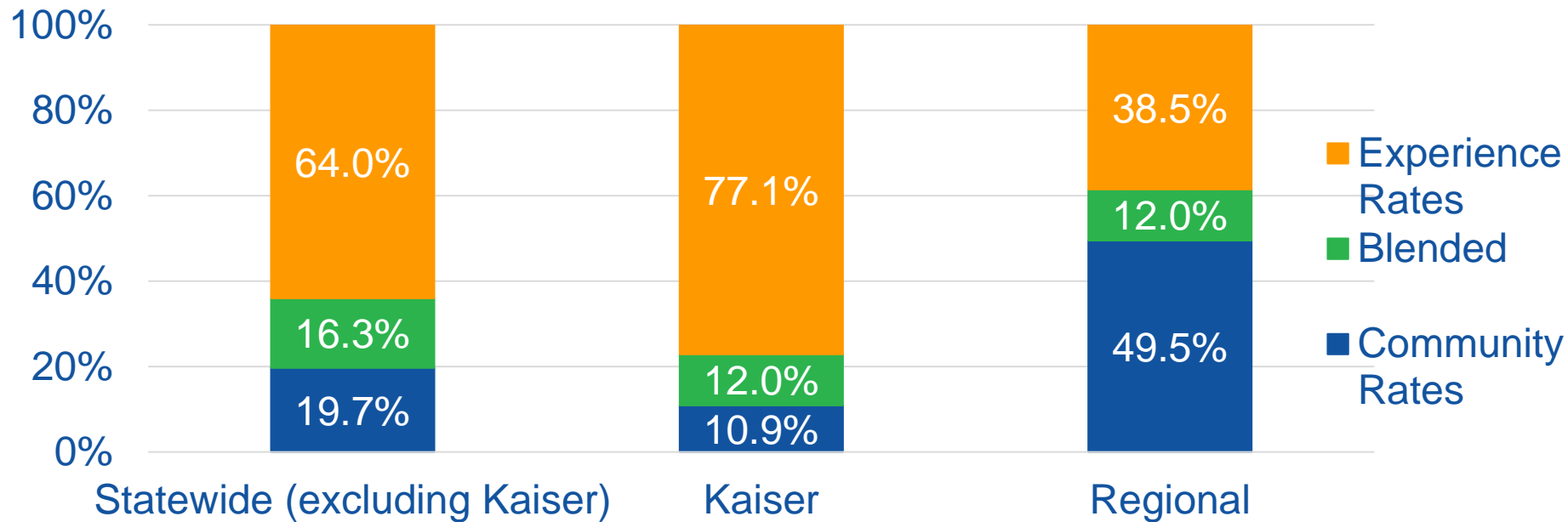
Renewal Increases by Rating Methodology



Percentage of Renewing Groups by Rating Methodology



Percentage of Renewing Covered Lives by Rating Methodology



Actuarial Value

Product Type	Number of Covered Lives by Actuarial Value*					
	0.9 – 1.00	0.8 – 0.89	0.7 – 0.79	0.6 – 0.69	< 0.60	All
HMO	5,386,887	1,183,050	202,375	49,987	2,720	6,825,019
PPO	236,609	215,682	8,332	0	0	460,623
HDHP	1,563	114,568	215,767	82,667	2,677	417,242
POS	88,105	14,889	2,298	18	0	105,310
EPO	37,737	5,177	0	0	0	42,914
Total:	5,750,901	1,533,366	428,772	132,672	5,397	7,851,108

* Number of covered lives includes enrollees that did not have a rate change

Actuarial Value for HMO Members

Actuarial Value	Statewide (excluding Kaiser)	Kaiser	Regional
0.9 -1.00	75.7%	80.8%	66.3%
0.8-0.89	21.1%	15.5%	26.1%
0.7-0.79	2.7%	2.9%	5.1%
0.6-0.69	0.5%	0.7%	2.5%
<0.60	0.0%	0.1%	0.0%

Medical Expenses as a Percentage of Premium in 2016 and 2017

	2016			2017		
	Premium	Medical Expenses	Medical Expenses as % of Premium	Premium	Medical Expenses	Medical Expenses as % of Premium
All	\$438	\$384	87.6%	\$450	\$402	89.3%
Statewide w/o Kaiser	\$437	\$377	86.2%	\$444	\$385	86.7%
Kaiser	\$436	\$385	88.4%	\$451	\$410	90.8%
Regional	\$474	\$430	90.7%	\$496	\$449	90.6%

Administrative Expenses as a Percentage of Premium in 2016 and 2017

	2016			2017		
	Premium	Admin Expenses	Admin Expenses as % of Premium	Premium	Admin Expenses	Admin Expenses as % of Premium
All	\$438	\$28	6.4%	\$450	\$25	5.6%
Statewide w/o Kaiser	\$437	\$39	9.0%	\$444	\$40	9.1%
Kaiser	\$436	\$20	4.6%	\$451	\$16	3.5%
Regional	\$474	\$45	9.5%	\$496	\$42	8.4%

Net Income as a Percentage of Premium in 2016 and 2017

	2016			2017		
	Premium	Net Income	Net Income as % of Premium	Premium	Net Income	Net Income as % of Premium
All	\$438	\$7	1.7%	\$450	\$11	2.5%
Statewide w/o Kaiser	\$437	\$3	0.6%	\$444	\$9	2.1%
Kaiser	\$436	\$11	2.6%	\$451	\$13	2.8%
Regional	\$474	-\$7	-1.5%	\$496	\$2	0.5%

Medical Allowed Trend

Plan Type	2016	2017	2018	2019
All Plans	6.2%	5.5%	5.4%	5.5%
Statewide w/o Kaiser	6.8%	6.6%	6.8%	6.6%
Kaiser	4.4%	4.4%	5.1%	4.4%
Regional	6.1%	5.0%	5.0%	4.7%

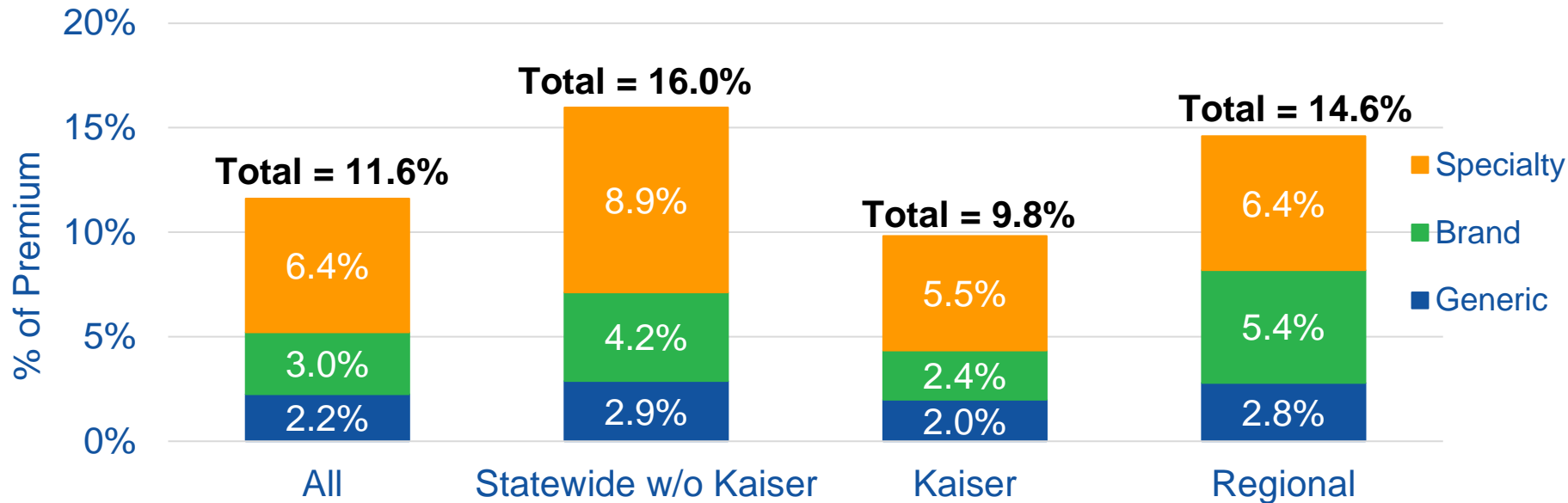
Pharmacy Allowed Trend

Plan Type	2016	2017	2018	2019
All Plans	8.9%	7.4%	7.0%	8.5%
Statewide w/o Kaiser	13.7%	11.3%	11.8%	11.0%
Kaiser	8.9%	6.0%	6.0%	5.0%
Regional	6.1%	5.0%	5.5%	8.0%

Large Group Prescription Drug Cost Reporting Summary

- Prescription drug costs accounted for 11.6% of the total health care premium.
- Specialty drugs represented more than 50% of total prescription drug spending.
- The average premium increase was 4.1% and 0.8% was attributed to pharmacy cost.
- The percentage of premium attributed to drugs administered in a doctor's office ranged from 2% to 3%.
- 22 of the 24 health plans used a Pharmacy Benefit Manager.

2018 Pharmacy Costs Paid by Health Plans as a Percentage of Premium*



* Pharmacy plan costs before manufacturer rebates

Change in Annual Prescription Drug Cost Spending* from 2017 to 2018

Drug Type	All Plans	Statewide w/o Kaiser	Kaiser	Regional
Specialty	5.8%	9.3%	3.6%	8.4%
Brand	2.4%	0.7%	3.3%	6.2%
Generic	1.9%	2.8%	1.8%	-4.0%
Total	4.0%	5.4%	3.0%	4.6%

* Annual spending on prescription drugs is the amount spent by the health plans plus enrollees' cost share.

Year-over-Year Percentage Increase in Premium Attributable by Component

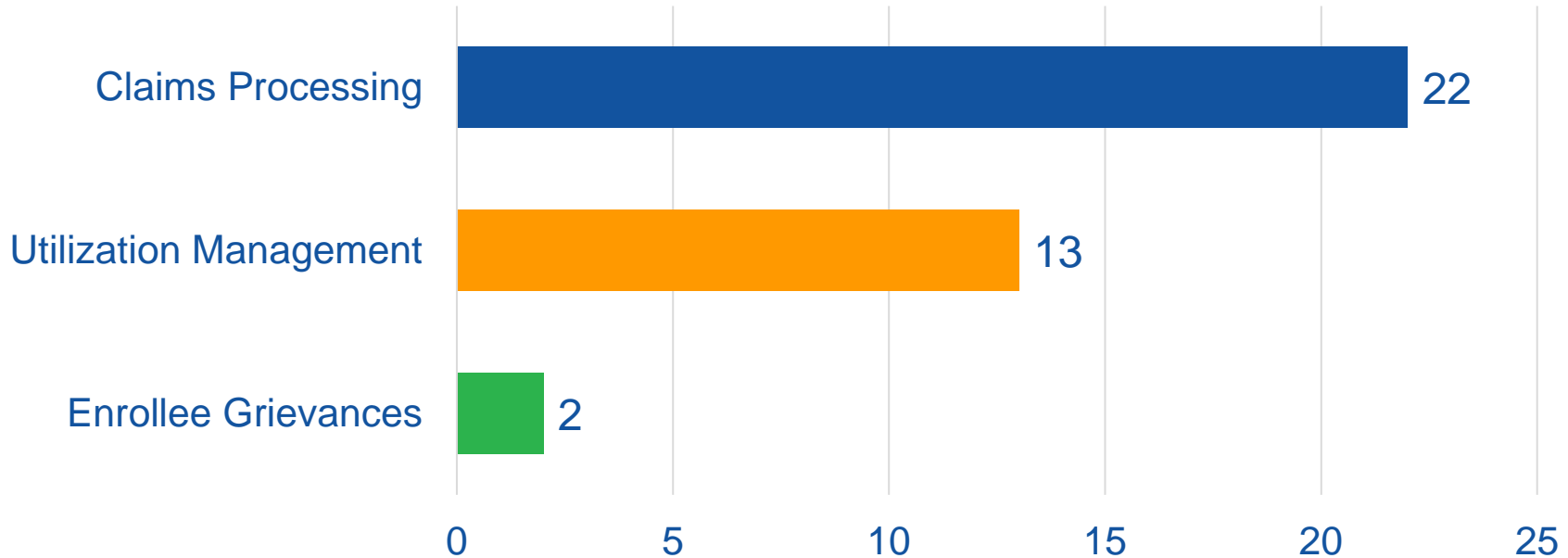
Component	All Plans	Statewide w/o Kaiser	Kaiser	Regional
Plan Prescription Drug Cost (w/ rebates)	0.8%	1.0%	0.7%	1.0%
Paid Medical Cost	1.6%	2.0%	1.2%	7.6%
Admin + Commission	0.3%	0.8%	0.2%	0.6%
Taxes	0.7%	2.3%	0.1%	0.3%
Profit/Other	0.7%	-0.5%	1.2%	0.0%
Total	4.1%	5.6%	3.4%	9.5%

Drugs Administered in Doctor's Office – Health Plan Costs*

Category	Number of Plans	Minimum (Reported)	Maximum (Reported)	Median (Reported)
All Plans	6	\$2.74	\$28.54	\$14.33
Statewide w/o Kaiser	1	\$17.71	\$17.71	\$17.71
Kaiser	1	\$12.47	\$12.47	\$12.47
Regional	4	\$2.74	\$28.54	\$10.76

* Health plans were required to report this information, if available.

Pharmacy Benefit Manager Functions



Large Group Rate Information





Premium Rate Review Filings

- [View Premium Rate Filings & Submit Comments](#)
- [Premium Rates Over Time](#)



What is Premium Rate Review?

- [Rate Review Process](#)
- [Health Care Costs](#)
- [Glossary of Key Terms](#)
- [FAQs and Resources](#)

MODIFIED FILINGS WITH SAVINGS

	Effective Date	Market Type	Final Rate Increase	Amount Saved
Local Initiative Health Authority For Los Angeles County (L.A. Care Health Plan)	1/1/2018		21.7%	\$9.43M
Blue Cross of California (Anthem Blue Cross)	1/1/2018		2.5%	\$92.97M
Blue Cross of California (Anthem Blue Cross)	1/1/2018		37.3%	\$21.32M
Aetna Health of California,	10/1/2016		11.9%	\$1.33M

UNREASONABLE FINDINGS

	Effective Date	Market Type	Final Rate Increase
Aetna Health of California, Inc.	7/1/2015		21.0%
Aetna Health of California, Inc.	4/1/2015		19.2%
Aetna Health of California, Inc.	1/1/2015		17.3%
California Physicians' Service (Blue Shield of California)	3/1/2013		11.8%
Aetna Health of California, Inc.	1/1/2013		11.4%

1-888-466-2219

HAVE A PROBLEM WITH YOUR HEALTH PLAN? CONTACT THE DMHC HELP CENTER

HealthHelp.ca.gov

Public Comment

*Public comment may be submitted to
publiccomments@dmhc.ca.gov*

Closing Remarks

Mary Watanabe

Deputy Director, Health Policy and Stakeholder Relations