



Prescription Drug Cost Transparency Report

Measurement Year 2020

Table of Contents

- I. Executive Summary 1
- II. Introduction/Background 4
- III. Overall Impact of Prescription Drug Costs on Premiums 5
- 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 19
- VII. Conclusion 20
- Appendix A: Summary of Data Limitations, Data Aggregation, Methods, and Assumptions 24
- Appendix B: List of Health Plans Required to File Pursuant to California Health and Safety Code section 1367.243..... 26
- Appendix C: Lists of Prescription Drugs 27
- Appendix D: California Health and Safety Code section 1367.243 Text 36
- Appendix E: Glossary 37

Chart and Tables

- Chart 1. Four-Year Trend Analysis: Total Health Plan Premium, Medical Expenses, Prescription Drug Expenses and Profit (PMPM) 3
- Chart 2. Breakdown of Total Health Plan Premium (PMPM)..... 5
- Table 1. Impact of Prescription Drugs on Premiums (in millions) 6
- Table 2. Impact of Prescription Drugs on Premiums by PMPM 7
- Table 3. Volume of Prescription Drugs and Total Annual Plan Spending on All Prescription Drugs 8
- Table 4. Total Annual Spending on Prescription Drugs by PMPM 9
- Table 5. 25 Most Frequently Prescribed Drugs by Total Annual Spending 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 16
- Table 9. 25 Most Costly Drugs by PMPM 17
- Table 10a. 25 Most Costly Drugs by Health Plan and Enrollee Spending 18
- Table 10b. 25 Most Costly Drugs by Health Plan and Enrollee Percent of Spending 18
- Table 11. 25 Drugs with Highest Year-Over-Year Increase in Total Annual Spending on All Prescription Drugs 19

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. The DMHC also regulates Medi-Cal managed care plans, Medicare Advantage plans, and specialized health plans, including dental and vision plans.

California Health and Safety Code (HSC) section 1367.243 (SB 17, 2017) requires health plans and health insurers that offer commercial products and 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. Health plans first submitted their prescription drug cost data in 2018 for [measurement year 2017](#). The historical reports can be found on the [DMHC website](#). In 2021, 25 health plans submitted prescription drug data for measurement year 2020.¹

This report looks at the impact of the cost of prescription drugs on health plan premiums and compares this data across the 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 (PMPM) basis and compared the annualized 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 the last four years.

Key Findings²

- Health plans paid more than \$10.1 billion for prescription drugs in 2020, an increase of almost \$500 million or 5.0% from 2019. On a PMPM basis, health plans paid \$66.90 in 2020, which is an increase of \$2.59 PMPM from 2019. Since 2017, prescription drug costs paid by health plans increased by \$1.5 billion.³
- Prescription drugs accounted for 12.7% of total health plan premiums in 2020, a slight decrease from 12.8% in 2019. Prescription drugs accounted for 12.7% and 12.9% of total health plan premiums in 2018 and 2017, respectively.⁴
- Total prescription drug costs increased by 5.0% in 2020, whereas total medical expenses increased by 3.7%. Overall, total health plan premiums increased by 5.9% from 2019 to 2020.

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 Unless otherwise specified, the prescription drug costs in this report are not adjusted for any manufacturer rebates. However, this report includes the total manufacturer drug rebates collected by health plans.

⁴ The figures in this report include only those prescription drugs dispensed through retail or mail order pharmacies, and do 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% of premium in 2020 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.

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- On a PMPM basis, health plans' prescription drug costs increased by 4.0%, medical expenses increased by 2.8% and health plan premiums increased by 4.9% from 2019 to 2020. PMPM calculations display the portion of the premium that was spent on a per member per month basis and are calculated using the total number of covered enrollees. Since the number of covered enrollees can vary from year to year, the PMPM premium and cost percentages may be higher or lower when compared to the overall premium and cost percentages.
 - Manufacturer drug rebates totaled approximately \$1.437 billion, up from \$1.205 billion in 2019 and \$1.058 billion in 2018. This represents about 14.2% of the \$10.1 billion spent on prescription drugs in 2020. On a PMPM basis, manufacturer drug rebates equaled \$9.51 PMPM, up from \$8.06 PMPM in 2019. This also equates to 14.2% of the \$66.90 PMPM health plans paid for prescription drugs in 2020.⁵
 - While specialty drugs accounted for only 1.6% of all prescription drugs dispensed, they accounted for 60.2% of total annual spending on prescription drugs.⁶
 - Generic drugs accounted for 89.1% of all prescribed drugs but only 18.1% of the total annual spending on prescription drugs.
 - Brand name drugs accounted for 9.3% of prescriptions and constituted 21.7% of the total annual spending on prescription drugs.
 - The 25 Most Frequently Prescribed Drugs represented 48.2% of all drugs prescribed and approximately 46.2% of the total annual spending on prescription drugs.
 - For the 25 Most Frequently Prescribed Drugs, enrollees paid 2.9% of the cost of specialty drugs, 11.5% of the cost of brand name drugs, and 59.2% of the cost of generics.
 - Of the 12.7% of total health plan premium that was spent on prescription drugs, the 25 Most Costly Drugs accounted for 7.2%.
 - Overall, health plans paid 92.8% of the cost of the 25 Most Costly Drugs across all three categories (generic, brand name and specialty).

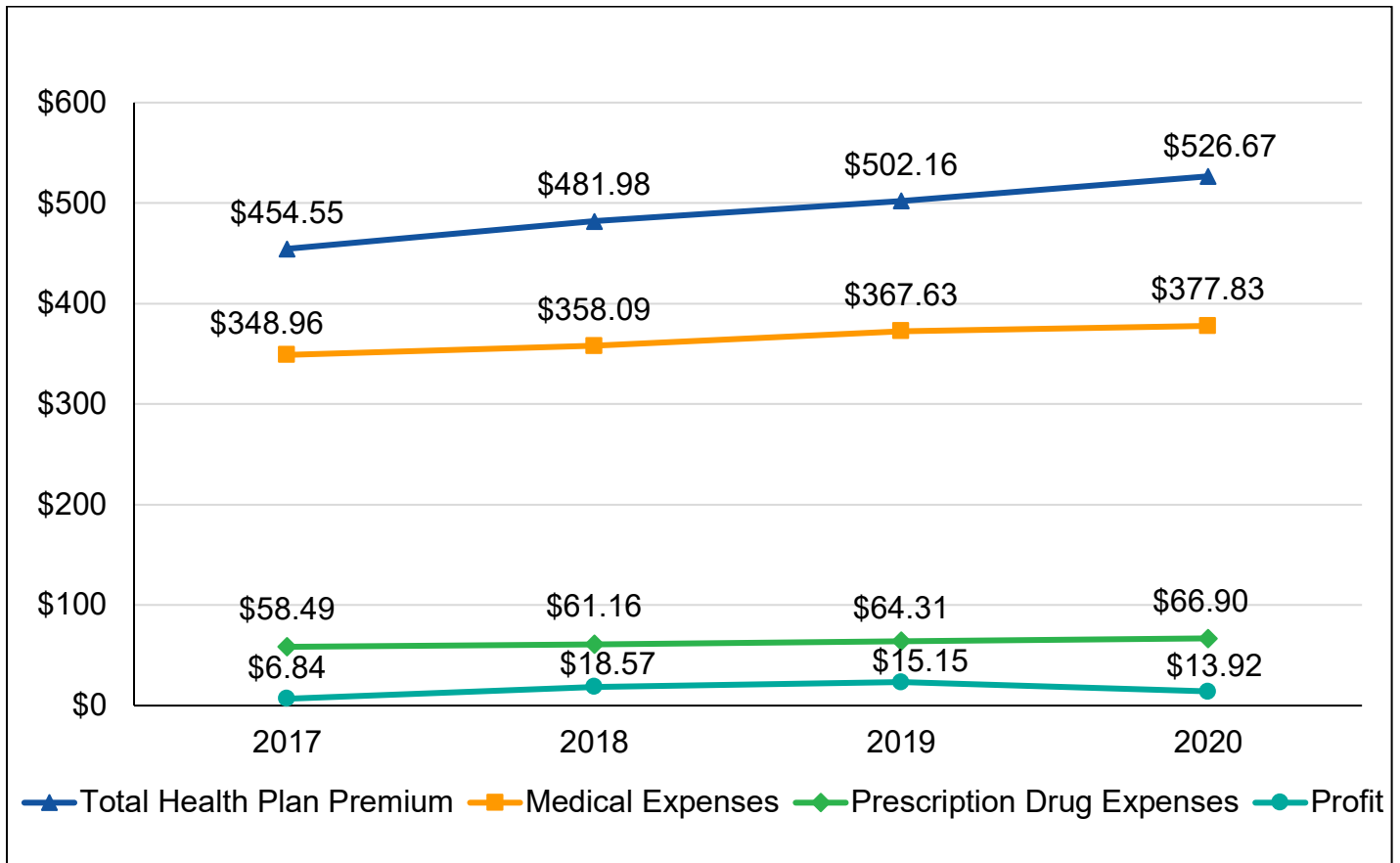
⁵ Health plans provided the total manufacturer drug rebate information for all drugs. The manufacturer drug rebate was not provided for the top 25 most frequently prescribed drugs, the top 25 most costly drugs or top 25 drugs with highest year-over-year increase in total annual spending.

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 2020, the threshold amount is \$670 for a one-month supply.

Chart 1 illustrates the total health plan premium, medical expenses, prescription drug expenses and profit on a PMPM basis from 2017 to 2020. All categories except profit increased consistently from 2017 to 2020. On average, enrollees paid \$526.67 per month in health plan premium in 2020 compared to \$502.16 in 2019, an increase of 4.9%. Health plan premiums increased by \$72.12 per month, or 15.9%, since 2017. Prescription drug expenses increased by 14.4% over the last four years, while medical expenses increased by 8.3%. Between 2017 and 2020, health plan profit margins have ranged, on average, from 1.5% to 4.7% of health plan premiums.

Chart 1

Four-Year Trend Analysis: Total Health Plan Premium, Medical Expenses, Prescription Drug Expenses and Profit (PMPM)



II. Introduction/Background

HSC section 1367.243 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, the law 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 Manufacturers of new drugs are also required 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 Department of Health Care Access and Information (HCAI).⁸

The DMHC is required to issue an annual report that summarizes how prescription drug costs impact health plan premiums including 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 2020 reporting year, 25 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.⁹ As required by HSC section 1367.243, the DMHC compiled and aggregated this data to ensure health plans' specific data remained confidential.

Under a separate statutory requirement, 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 posted on the [DMHC website](#).

⁷ HSC section 127677.

⁸ The California Department of Health Care Access and Information (HCAI) posts the prescription drug cost increase reports and posts these on its website: <https://hcai.ca.gov/data-and-reports/cost-transparency/rx/>.

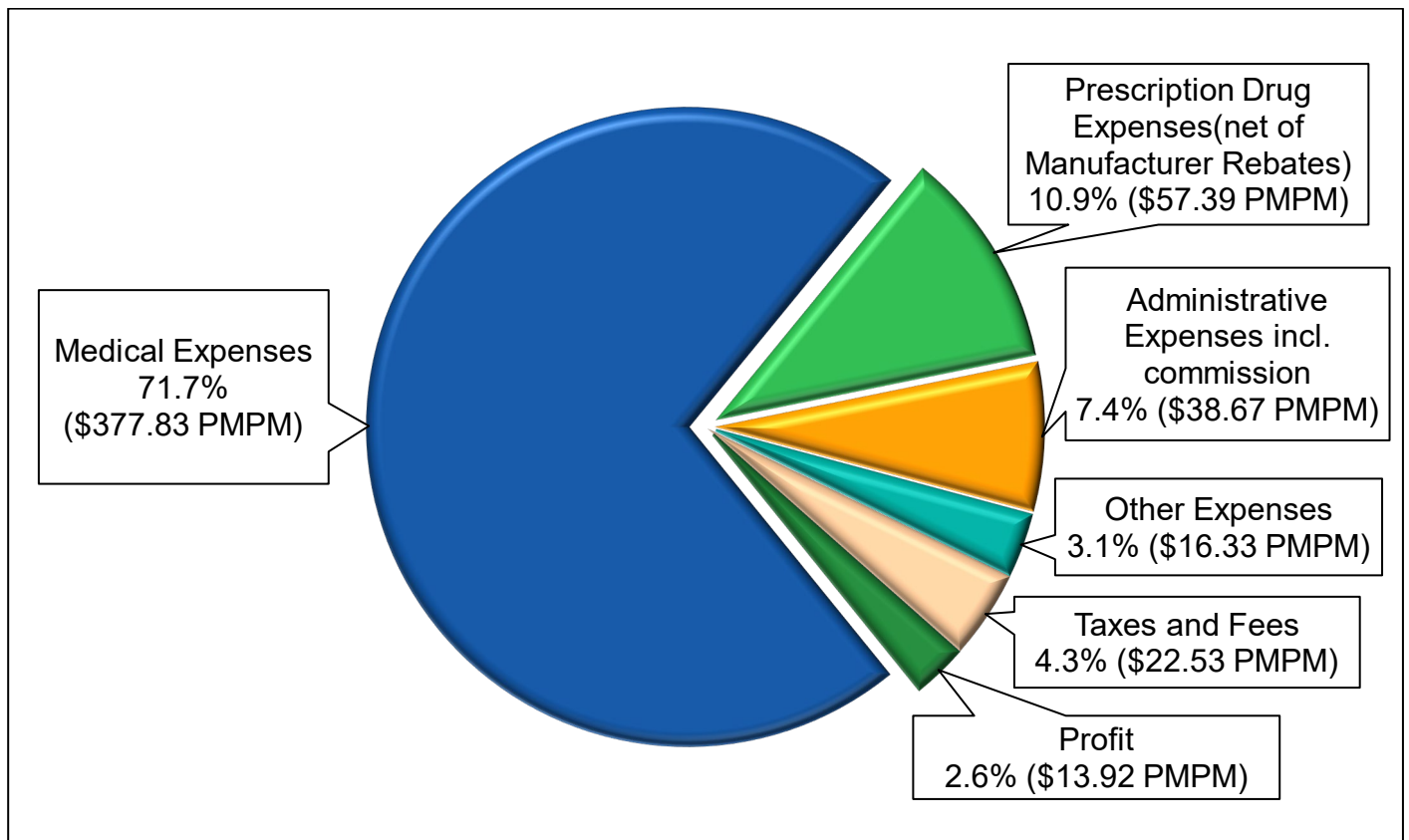
⁹ A 30-day supply of a prescription drug is 1 unit; a supply of 31 to 60-days is 2 units, and a supply more than 60-days is 3 units.

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 premium dollars that health plans spent on prescription drugs in 2020.¹⁰ This was analyzed on an aggregate spending level and on a PMPM basis. PMPM calculations display the portion of the premium that was spent on a per member per month basis and are calculated using the total number of covered enrollees. Since the number of covered enrollees can change from year to year, the PMPM premium and cost percentages may be higher or lower when compared to the overall premium and cost percentages.

Chart 2 shows the breakdown of total health plan premiums on a PMPM basis. For measurement year 2020, the total health plan premium on a PMPM basis was \$526.67. Medical expenses accounted for \$377.83, or 71.7%, of the health plan premium. Prescription drug expenses, net of manufacturer rebates, accounted for \$57.39, or 10.9%, of total health plan premium on a PMPM basis. Profit accounted for \$13.92, or 2.6%, of the total health plan premium on a PMPM basis. Administrative expenses, other expenses¹¹, commission and taxes and fees accounted for the remaining \$77.53, or 14.8%, of the total health plan premium on a PMPM basis.

Chart 2
Breakdown of Total Health Plan Premium (PMPM)



¹⁰ 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.

¹¹ Other expenses may include risk adjustment transfers, MLR rebate, reinsurance, and incentive payments.

Table 1 shows the portion of total health plan premiums spent on prescription drugs in 2020, which exceeded \$10.1 billion. These expenses represented 12.7% of total health plan premiums. Medical expenses made up 71.7%, or almost \$57.1 billion, of total health plan premiums. Medical expenses increased by 3.7% since 2019, a lower rate than prescription drug expenses. Manufacturer drug rebates increased by 19.2% in 2020 and totaled approximately \$1.437 billion in 2020 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. Administrative expenses increased by 6.7% and commissions increased by 6.7%. Health plan profits decreased by 7.2% and taxes and fees increased by 77.7%.

Table 1

Impact of Prescription Drugs on Premiums (in millions)

Category of Premium Payment	2020	Percentage of Premium	2019	Percentage of Premium	YOY ¹² Percentage Change
Prescription Drug Expenses	\$10,105	12.7%	\$9,622	12.8%	5.0%
Medical Expenses	\$57,068	71.7%	\$55,006	73.2%	3.7%
Manufacturer Drug Rebates	(\$1,437)	(1.8%)	(\$1,205)	(1.6%)	19.2%
Administrative Expenses	\$4,264	5.4%	\$3,995	5.3%	6.7%
Other Expenses	\$2,467	3.1%	\$2,059	2.8%	19.9%
Commissions	\$1,577	2.0%	\$1,478	2.0%	6.7%
Taxes and Fees	\$3,403	4.3%	\$1,915	2.5%	77.7%
Profit	\$2,103	2.6%	\$2,267	3.0%	(7.2%)
Total Health Plan Premium	\$79,550	100.0%	\$75,137	100.0%	5.9%
Member Months (in millions)¹³	151.0		149.6		0.9%

¹² “Year-over-Year” measures the change from 2019 to 2020.

¹³ 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 shows how the total health plan premium was spent on a PMPM basis in 2020 as compared to 2019. Health plans spent \$66.90 PMPM on prescription drugs in 2020, an increase of 4.0% from 2019. Medical expenses increased by 2.8% on a PMPM basis from 2019, a lower rate than prescription drug expenses. Manufacturer drug rebates were \$9.51 PMPM in 2020 compared to \$8.06 PMPM in 2019. Administrative expenses increased by 5.7% and commissions increased by 5.7% on a PMPM basis. Profits decreased by 8.1% and taxes and fees increased by 76.0% on a PMPM basis.

Table 2
Impact of Prescription Drugs on Premiums by PMPM

Category of Premium Payment	2020	Percentage of Premium	2019	Percentage of Premium	YOY Percentage Change ¹⁴
Prescription Drug Expenses	\$66.90	12.7%	\$64.31	12.8%	4.0%
Medical Expenses	\$377.83	71.7%	\$367.63	73.2%	2.8%
Manufacturer Drug Rebates	(\$9.51)	(1.8%)	(\$8.06)	(1.6%)	18.0%
Administrative Expenses	\$28.23	5.4%	\$26.69	5.3%	5.7%
Other Expenses	\$16.33	3.1%	\$13.76	2.8%	18.7%
Commissions	\$10.44	2.0%	\$9.88	2.0%	5.7%
Taxes and Fees	\$22.53	4.3%	\$12.80	2.5%	76.0%
Profit	\$13.92	2.6%	\$15.15	3.0%	(8.1%)
Total Health Plan Premium	\$526.67	100.0%	\$502.16	100.0%	4.9%
Member Months (in millions)	151.0		149.6		0.9%

¹⁴ The variance in YOY Percentage Change between Table 1 and Table 2 is attributed to the change in Member Months from 2019 to 2020.

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, 2018, 2019 and 2020. 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 89.1% of all prescribed drugs but represented only 18.1% (or \$13.40 PMPM) of the total annual spending on prescription drugs in 2020. Conversely, specialty drugs accounted for only 1.6% of all drugs prescribed but represented 60.2% (or \$44.70 PMPM) of the total annual spending on prescription drugs.

As seen on Tables 3 and 4, the proportion of generic dispensed drugs has increased over the last four years while the annual spending has decreased. Conversely, the proportion of specialty drugs has remained essentially the same, but the specialty spending has increased year over year.

Table 3

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

Category	Generic	Brand Name	Specialty	Overall
Measurement Year – 2020				
2020 Volume of All Prescription Drugs	89.1%	9.3%	1.6%	100.0%
2020 Annual Spending on All Prescription Drugs	18.1%	21.7%	60.2%	100.0%
Measurement Year – 2019				
2019 Volume of All Prescription Drugs	88.5%	10.0%	1.5%	100.0%
2019 Annual Spending on All Prescription Drugs	20.9%	23.0%	56.1%	100.0%
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 PMPM**

Category	Generic	Brand Name	Specialty	Overall
Measurement Year - 2020				
2020 Annual Spending on All Prescription Drugs	\$13.40	\$16.07	\$44.70	\$74.17
2020 Number of Prescriptions (in millions)	108.2	11.3	2.0	121.5
2020 Total Member Months for Pharmacy Benefits Carve-in (in millions)				151.0
Measurement Year - 2019				
2019 Annual Spending on All Prescription Drugs	\$14.96	\$16.50	\$40.22	\$71.68
2019 Number of Prescriptions (in millions)	110.1	12.5	1.9	124.5
2019 Total Member Months for Pharmacy Benefits Carve-in (in millions)				149.6
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. The observations from the 2020 health plan data related to the 25 most frequently prescribed drugs include:

- The 25 most frequently prescribed drugs accounted for approximately 48.2% of all prescribed drugs and approximately 46.2% of the total annual spending on prescription drugs. (Table 5)
- The majority, 40.5%, of the 25 most frequently prescribed drugs were generic drugs. However, generic drugs accounted for only 3.3% of the total annual spending on prescription drugs and only 0.2% of the total health plan premium. (Table 5)
- In contrast, the 25 most frequently prescribed specialty drugs accounted for only 1.1% of all prescriptions but 31.0% of the total annual spending on prescription drugs and 4.2% of the total health plan premium. Similar trends were observed for prior measurement years. (Table 5)
- Total annual health plan spending on prescription drugs was \$66.90 PMPM. Overall, the 25 most frequently prescribed drugs accounted for \$31.13 PMPM (46.5%) of the total annual health plan spending on prescription drugs. (Table 6)
- Total annual spending for the 25 most frequently prescribed drugs was \$5.18 billion of which \$4.70 billion was paid by health plans and \$474 million was paid by enrollees. Health plans paid 90.8% of the total costs for the 25 most frequently prescribed drugs and enrollees paid the remaining 9.2%. (Tables 7a and 7b)

Table 5 summarizes the 25 most frequently prescribed drugs by total annual spending on prescription drugs for 2017, 2018, 2019 and 2020.

Table 5

25 Most Frequently Prescribed Drugs by Total Annual Spending

Category	25 Most Frequently Prescribed Drugs				All Other Prescribed Drugs	Total
	Generic	Brand Name	Specialty	Subtotal		
Measurement Year – 2020						
2020 Total Percentage of Prescription Drugs	40.5%	6.6%	1.1%	48.2%	51.8%	100.0%
2020 Total Annual Spending on Prescription Drugs	3.3%	11.9%	31.0%	46.2%	53.8%	100.0%
2020 Impact on Total Health Plan Premiums	0.2%	1.5%	4.2%	5.9%	6.8%	12.7%
Measurement Year - 2019						
2019 Total Percentage of Prescription Drugs	39.7%	6.7%	1.0%	47.4%	52.6%	100.0%
2019 Total Annual Spending on Prescription Drugs	4.1%	12.5%	28.3%	44.9%	55.1%	100.0%
2019 Impact on Total Health Plan Premiums	0.3%	1.6%	3.9%	5.8%	7.0%	12.8%
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.

Table 6

25 Most Frequently Prescribed Drugs by PMPM

Category	2020 PMPM Amount	2020 Percentage of Total Annual Health Plan Drug Spending	2019 PMPM Amount	2019 Percentage of Total Annual Health Plan Drug Spending
Generic Drugs	\$1.01	1.5%	\$1.38	2.1%
Brand Name Drugs	\$7.80	11.7%	\$7.93	12.3%
Specialty Drugs	\$22.32	33.3%	\$19.74	30.7%
25 Most Frequently Prescribed Drugs Total	\$31.13	46.5%	\$29.05	45.1%
All Other Prescribed Drugs	\$35.77	53.5%	\$35.26	54.9%
Total Annual Health Plan Prescription Drug Spending	\$66.90	100.0%	\$64.31	100.0%

Tables 7a and 7b show the portion of prescription drug costs paid by both health plans and enrollees for 2019 and 2020.

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)	
	2020	2019	2020	2019	2020	2019
Generic Drugs	\$152	\$207	\$220	\$233	\$372	\$440
Brand Name Drugs	\$1,178	\$1,187	\$153	\$154	\$1,331	\$1,341
Specialty Drugs	\$3,371	\$2,953	\$101	\$88	\$3,472	\$3,041
25 Most Frequently Prescribed Drugs Total	\$4,701	\$4,347	\$474	\$475	\$5,175	\$4,822
All Other Prescribed Drugs	\$5,404	\$5,275	\$624	\$630	\$6,028	\$5,905
Total for All Prescribed Drugs	\$10,105	\$9,622	\$1,098	\$1,105	\$11,203	\$10,727

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

Category	2020 Percentage Paid by Health Plans	2020 Percentage Paid by Enrollees	2020 Total Percentage Paid by Health Plans and Enrollees	2019 Percentage Paid by Health Plans	2019 Percentage Paid by Enrollees	2019 Total Percentage Paid by Health Plans and Enrollees
Generic Drugs	40.8%	59.2%	100.0%	47.0%	53.0%	100.0%
Brand Name Drugs	88.5%	11.5%	100.0%	88.5%	11.5%	100.0%
Specialty Drugs	97.1%	2.9%	100.0%	97.1%	2.9%	100.0%
25 Most Frequently Prescribed Drugs Total	90.8%	9.2%	100.0%	90.2%	9.8%	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. The charts in Appendix C list the 25 most costly generic, brand name, and specialty drugs. The observations from the 2020 health plan data related to the 25 most costly drugs by total annual spending includes:

- The 25 most costly drugs by total annual spending accounted for 32.3% of the total number of prescribed drugs and 54.8% of the total annual spending on prescription drugs. Of the 12.7% of total health plan premium that was spent on prescription drugs, the 25 most costly drugs accounted for 7.2%. (Table 8)
- The specialty drugs included in the 25 most costly drugs accounted for only 1.0% of all prescriptions, but they represented 35.6% of the total annual prescription drug spending and approximately 4.9% of the overall total health plan premiums. Conversely, the generic drugs included in the 25 most costly drugs accounted for 25.7% of all prescribed drugs, but only 5.7% of the total annual spending on prescription drugs and 0.6% of health plan premiums. (Table 8)
- Overall, the 25 most costly drugs accounted for \$37.73 PMPM (56.4%) of the total annual health plan spending on prescription drugs in 2020. (Table 9)
- For the 25 most costly drugs, health plans paid 92.8% of the costs in 2020 and enrollees paid the remaining 7.2%. Health plans spent approximately \$5.7 billion, and enrollees spent an additional \$442 million on the top 25 most costly prescription drugs. (Tables 10a and 10b)
- Health plans paid 97.5% of the 25 most costly specialty drugs, 89.7% of the 25 most costly brand name drugs, and 70.7% of the 25 most costly generic drugs. Enrollees paid 2.5% of the cost of the 25 most costly specialty drugs, 10.3% of the costs of the 25 most costly brand name drugs, and 29.3% of the cost of the 25 most costly generic drugs. (Table 10b)

Table 8 summarizes the 25 most costly drugs by total annual spending on prescription drugs for 2017, 2018, 2019, and 2020.

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 – 2020						
2020 Total Percentage of Prescription Drugs	25.7%	5.6%	1.0%	32.3%	67.7%	100.0%
2020 Total Annual Spending on Prescription Drugs	5.7%	13.5%	35.6%	54.8%	45.2%	100.0%
2020 Impact on Total Health Plan Premiums	0.6%	1.7%	4.9%	7.2%	5.5%	12.7%
Measurement Year – 2019						
2019 Total Percentage of Prescription Drugs	25.7%	5.7%	0.9%	32.3%	67.7%	100.0%
2019 Total Annual Spending on Prescription Drugs	6.8%	14.1%	33.2%	54.1%	45.9%	100.0%
2019 Impact on Total Health Plan Premiums	0.7%	1.8%	4.6%	7.1%	5.7%	12.8%
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%

Table 9 summarizes the 25 most costly 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.

Table 9

25 Most Costly Drugs by PMPM

Category	2020 PMPM Amount	2020 Percentage of Total Annual Health Plan Drug Spending	2019 PMPM Amount	2019 Percentage of Total Annual Health Plan Drug Spending
Generic Drugs	\$2.98	4.5%	\$3.50	5.4%
Brand Name Drugs	\$9.00	13.4%	\$9.11	14.2%
Specialty Drugs	\$25.75	38.5%	\$23.25	36.2%
25 Most Costly Drugs Total	\$37.73	56.4%	\$35.86	55.8%
All Other Prescribed Drugs	\$29.17	43.6%	\$28.45	44.2%
Total Annual Health Plan Prescription Drug Spending	\$66.90	100.0%	\$64.31	100.0%

Tables 10a and 10b show the portion of prescription drug costs that were paid by both health plans and enrollees in 2019 and 2020.

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)	
	2020	2019	2020	2019	2020	2019
Measurement Year	2020	2019	2020	2019	2020	2019
Generic Drug	\$450	\$524	\$186	\$208	\$636	\$732
Brand Name Drug	\$1,358	\$1,363	\$156	\$149	\$1,514	\$1,511
Specialty Drug	\$3,890	\$3,479	\$100	\$85	\$3,990	\$3,565
Total	\$5,698	\$5,366	\$442	\$442	\$6,140	\$5,808

Table 10b

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

Category	2020 Percentage Paid by Health Plans	2020 Percentage Paid by Enrollees	2020 Total Percentage Paid by Health Plans and Enrollees	2019 Percentage Paid by Health Plans	2019 Percentage Paid by Enrollees	2019 Total Percentage Paid by Health Plans and Enrollees
Generic Drug	70.7%	29.3%	100.0%	71.6%	28.4%	100.0%
Brand Name Drug	89.7%	10.3%	100.0%	90.2%	9.8%	100.0%
Specialty Drug	97.5%	2.5%	100.0%	97.6%	2.4%	100.0%
Total	92.8%	7.2%	100.0%	92.4%	7.6%	100.0%

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

Table 11 summarizes the 25 drugs with the highest year-over-year increase in total annual spending for 2017, 2018, 2019, and 2020. The observations from the 2020 health plan data related to the 25 drugs with the highest year-over-year increase in total spending include:

- Overall, the 25 drugs with the highest year-over-year increase in spending accounted for 35.8% of the total annual spending on prescription drugs, a slight increase from 2019, when the 25 drugs with the highest year-over-year increase in spending accounted for 35.2% of the total annual spending on prescription drugs.
- The 25 specialty drugs with the highest year-over-year increase in spending accounted for 23.7% of the total annual spending on prescription drugs. The 25 brand name drugs with the highest year-over-year increase in spending accounted for 9.2% of the total annual spending on prescription drugs. The 25 generic drugs with the highest year-over-year increase accounted for only 2.9% 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 All Prescription Drugs

Category	25 Drugs with Highest Year-Over-Year Increase				All Other Prescribed Drugs	Total
	Generic	Brand Name	Specialty	Subtotal		
Measurement Year – 2020						
Total Annual Spending on Prescription Drugs with highest year-over-year increase from 2019 to 2020	2.9%	9.2%	23.7%	35.8%	64.2%	100.0%
Measurement Year - 2019						
Total Annual Spending on Prescription Drugs with highest year-over-year increase from 2018 to 2019	4.1%	8.8%	22.3%	35.2%	64.8%	100.0%
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 over \$10.1 billion for prescription drugs in 2020, up from approximately \$9.6 billion in 2019 and \$9.1 billion in 2018. Enrollees spent \$1.1 billion for prescription drugs in 2020, consistent with 2018 and 2019 and up from approximately \$0.9 billion in 2017. Since 2017, prescription drug costs paid by health plans increased by \$1.5 billion. Prescription drug costs paid by health plans accounted for 12.7% of the total health plan premium, which has been generally consistent since 2017.

The cost of specialty drugs continues to be a driver of overall health care costs. Overall, specialty drugs accounted for 1.6% of the total number of drugs prescribed, but 60.2% of the total annual spending on prescription drugs. Generic drugs made up 89.1% of all the drugs prescribed in 2020 but represented only 18.1% of total annual spending on prescription drugs. Brand name drugs made up 9.3% of all the drugs prescribed in 2020 and represented 21.7% of total spending on prescriptions drugs.

Generally, the proportion of drugs dispensed as generic increased from 2017 to 2020. However, the proportion of the total annual spend increased for specialty drugs and decreased for generic and brand name drugs from 2017 through 2020.

The report provides important information on the impact of prescription drug costs on health care premiums. The DMHC will continue to collect and annually report the data which will enable the public to understand how the cost of prescription drugs impact health care premiums over time.

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Appendices

to the

Prescription Drug Cost Transparency Report

Measurement Year 2020

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Appendix A:

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

In developing this report, the DMHC relied on data and information provided by 25 health care service plans. The DMHC did not audit the data sources for accuracy; however, the DMHC reviewed them for reasonableness.

Each health 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 2019 to 2020. This data was provided separately for generic, brand name, and specialty drugs. In total, each health plan provided nine lists of drugs, each with 25 entries.

The lists of drugs provided by the health 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 the 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 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 cross-referenced 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 2020 for the 25 most costly drugs, and the total dollar amount increase in spending from 2019 to 2020 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 analyses within this report are 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 analyses are 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 82% of the market is dominated by three health plans and that across all nine lists, the 25th drug is approximately 1% of total prescription drug spending and equal to or less than 1% of spending within its respective generic, brand name, or specialty drug class, the DMHC believes the analyses in this report are 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 California Health and Safety Code section 1367.243

#	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	County of Ventura (Ventura County Health Care Plan)
10	Health Net of California, Inc.
11	Kaiser Foundation Health Plan, Inc. (Kaiser Permanente)
12	Local Initiative Health Authority For Los Angeles County (L.A. Care Health Plan)
13	MemorialCare Select Health Plan
14	Molina Healthcare of California
15	Oscar Health Plan of California
16	San Francisco Health Authority (San Francisco Health Plan)
17	San Mateo Health Commission (Health Plan of San Mateo)
18	Santa Clara County (Valley Health Plan)
19	Santa Cruz-Monterey-Merced Managed Medical Care Commission (Central California Alliance for Health)
20	Scripps Health Plan Services, Inc.
21	Sharp Health Plan
22	Sutter Health Plan (Sutter Health Plus)
23	UHC of California (UnitedHealthcare of California)
24	UnitedHealthcare Benefits Plan of California
25	Western Health Advantage

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	Antibacterials; Hormonal Agents - Thyroid
5	AMLODIPINE	Cardiovascular Agents
6	LOSARTAN	Cardiovascular Agents
7	HYDROCHLOROTHIAZIDE	Cardiovascular Agents
8	IBUPROFEN	Analgesics; Anti-Inflammatory Agents
9	OMEPRAZOLE	Gastrointestinal Agents
10	GABAPENTIN	Anticonvulsants
11	ESCITALOPRAM	Antidepressants
12	METOPROLOL	Cardiovascular Agents
13	HYDROCODONE	Analgesics
14	SERTRALINE	Antidepressants
15	SIMVASTATIN	Cardiovascular Agents
16	ROSUVASTATIN	Cardiovascular Agents
17	MONTELUKAST	Respiratory Tract/Pulmonary Agents
18	GLIPIZIDE	Blood Glucose Regulators
19	TRAZODONE	Antidepressants
20	ATENOLOL	Cardiovascular Agents
21	JUNEL	Contraceptives
22	SILDENAFIL	Respiratory Tract/Pulmonary Agents
23	BUPROPION	Antidepressants
24	PREDNISONE	Genitourinary Agents; Hormonal Agents - Adrenal; Inflammatory Bowel Disease Agents
25	ALBUTEROL	Respiratory Tract/Pulmonary Agents

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	ALVESCO	Respiratory Tract/Pulmonary Agents
4	SYNTHROID	Hormonal Agents - Thyroid
5	ADVAIR	Respiratory Tract/Pulmonary Agents
6	HUMALOG	Blood Glucose Regulators
7	LANTUS	Blood Glucose Regulators
8	JARDIANCE	Blood Glucose Regulators
9	VYVANSE	Central Nervous System Agents
10	ADDERALL	Central Nervous System Agents
11	K-TAB	Gastrointestinal Agents
12	FLUZONE	Vaccines
13	FLUCELVAX	Vaccines
14	RETIN-A	Dermatological Agents
15	ESTRADIOL	Hormonal Agents - Sex Hormones/Modifiers
16	JANUVIA	Blood Glucose Regulators
17	PRADAXA	Blood Products And Modifiers
18	FLUARIX	Vaccines
19	ONETOUCH	Glucose Testing Supplies
20	LO LOESTRIN FE	Contraceptives; Hormonal Agents - Sex Hormones/Modifiers
21	ACCU-CHEK	Glucose Testing Supplies
22	FLOVENT	Inflammatory Bowel Disease Agents; Respiratory Tract/Pulmonary Agents
23	ELIQUIS	Blood Products And Modifiers
24	NOVOLOG	Blood Glucose Regulators
25	AFLURIA	Vaccines

Appendix C:

Lists of Prescription Drugs

25 Most Frequently Prescribed Specialty Drugs

Rank	Prescription Drug Name	Therapy Class
1	TRUVADA	Antivirals
2	TRULICITY	Blood Glucose Regulators
3	HUMIRA	Immunological Agents
4	BIKTARVY	Antivirals
5	DESCOVY	Antivirals
6	ENBREL	Immunological Agents
7	GENVOYA	Antivirals
8	LATUDA	Antipsychotics
9	OZEMPIC	Blood Glucose Regulators
10	OTEZLA	Dermatological Agents; Immunological Agents
11	DUPIXENT	Dermatological Agents; Immunological Agents
12	TRIUMEQ	Antivirals
13	COSENTYX	Dermatological Agents; Immunological Agents
14	VICTOZA	Blood Glucose Regulators
15	ODEFSEY	Antivirals
16	HUMALOG	Blood Glucose Regulators
17	VIMPAT	Anticonvulsants
18	TIVICAY	Antivirals
19	XIFAXAN	Antibacterials
20	VEMLIDY	Antivirals
21	STELARA	Immunological Agents
22	XELJANZ	Immunological Agents
23	ZARXIO	Blood Products And Modifiers
24	REXULTI	Antipsychotics
25	CREON	Genetic Or Enzyme Disorder: Replacement, Modifiers, Treatment

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	Antibacterials; Hormonal Agents - Thyroid
3	LISINOPRIL	Cardiovascular Agents; Central Nervous System Agents
4	ESTRADIOL	Hormonal Agents - Sex Hormones/Modifiers
5	LOSARTAN	Cardiovascular Agents
6	METFORMIN	Blood Glucose Regulators
7	AMLODIPINE	Cardiovascular Agents
8	ROSUVASTATIN	Cardiovascular Agents
9	MESALAMINE	Inflammatory Bowel Disease Agents
10	METHYLPHENIDATE	Central Nervous System Agents
11	DEXTROAMPHETAMINE	Central Nervous System Agents
12	IBUPROFEN	Analgesics; Anti-Inflammatory Agents
13	WIXELA	Bronchodilators, Sympathomimetic
14	BUPROPION	Antidepressants
15	ALBUTEROL	Respiratory Tract/Pulmonary Agents
16	BUDESONIDE	Hormonal Agents - Adrenal
17	GABAPENTIN	Anticonvulsants
18	TESTOSTERONE	Hormonal Agents - Sex Hormones/Modifiers
19	HYDROCODONE	Analgesics
20	ARIPIPRAZOLE	Antidepressants; Antipsychotics
21	OSELTAMIVIR	Antivirals
22	JUNEL	Contraceptives
23	ERTUGLIFLOZIN PIDOLATE	Respiratory Tract/Pulmonary Agents
24	CLOBETASOL	Hormonal Agents- Adrenal; Dermatological Agents; Inflammatory Bowel Disease Agents
25	SPRINTEC	Contraceptives

Appendix C:

Lists of Prescription Drugs

25 Most Costly Brand Name Drugs by Total Annual Spending

Rank	Prescription Drug Name	Therapy Class
1	JARDIANCE	Blood Glucose Regulators
2	VENTOLIN	Respiratory Tract/Pulmonary Agents
3	HUMULIN	Blood Glucose Regulators
4	HUMALOG	Blood Glucose Regulators
5	LANTUS	Blood Glucose Regulators
6	JANUVIA	Blood Glucose Regulators
7	ALVESCO	Respiratory Tract/Pulmonary Agents
8	VYVANSE	Central Nervous System Agents
9	ELIQUIS	Blood Products And Modifiers
10	ADVAIR	Respiratory Tract/Pulmonary Agents
11	XARELTO	Blood Products And Modifiers
12	ADDERALL	Central Nervous System Agents
13	FARXIGA	Blood Glucose Regulators
14	RESTASIS	Ophthalmic Agents
15	FLOVENT	Inflammatory Bowel Disease Agents; Respiratory Tract/Pulmonary Agents
16	LO LOESTRIN FE	Contraceptives; Hormonal Agents - Sex Hormones/Modifiers
17	BREO	Respiratory Tract/Pulmonary Agents
18	RETIN-A	Dermatological Agents
19	OZEMPIC	Blood Glucose Regulators
20	PRADAXA	Blood Products And Modifiers
21	NOVOLOG	Blood Glucose Regulators
22	JANUMET	Blood Glucose Regulators
23	TRINTELLIX	Antidepressants
24	INVOKANA	Blood Glucose Regulators; Inflammatory Bowel Disease Agents
25	TRADJENTA	Blood Glucose Regulators

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	TRUVADA	Antivirals
3	BIKTARVY	Antivirals
4	ENBREL	Immunological Agents
5	STELARA	Immunological Agents
6	GENVOYA	Antivirals
7	COSENTYX	Dermatological Agents; Immunological Agents
8	DESCOVY	Antivirals
9	OTEZLA	Dermatological Agents; Immunological Agents
10	TRIUMEQ	Antivirals
11	DUPIXENT	Dermatological Agents; Immunological Agents
12	LATUDA	Antipsychotics
13	ODEFSEY	Antivirals
14	TRULICITY	Blood Glucose Regulators
15	REVLIMID	Antineoplastics
16	XELJANZ	Immunological Agents
17	IBRANCE	Antineoplastics
18	TRIKAFTA	Respiratory Tract/Pulmonary Agents
19	ZARXIO	Blood Products And Modifiers
20	TECFIDERA	Central Nervous System Agents
21	TIVICAY	Antivirals
22	NUTROPIN	Hormonal Agents, Stimulant/Replacement/Modifying - Pituitary
23	TAGRISSE	Antineoplastics
24	XIFAXAN	Antibacterials
25	IMBRUVICA	Antineoplastics

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	BAQSIMI ONE PACK	Glycemic Agents
2	ESTRADIOL	Hormonal Agents - Sex Hormones/Modifiers
3	LOSARTAN	Cardiovascular Agents
4	ALBUTEROL	Respiratory Tract/Pulmonary Agents
5	WIXELA	Bronchodilators, Sympathomimetic
6	MESALAMINE	Inflammatory Bowel Disease Agents
7	ROSUVASTATIN	Cardiovascular Agents
8	METHYLPHENIDATE	Central Nervous System Agents
9	FAMOTIDINE	Gastrointestinal Agents
10	BUPRENORPHINE	Anti-Addiction/Substance Abuse Treatment Agents; Analgesics
11	LYRICA	Anticonvulsants; Central Nervous System Agents
12	FEBUXOSTAT	Antigout Agents
13	BUDESONIDE	Hormonal Agents - Adrenal
14	DEXTROAMPHETAMINE	Central Nervous System Agents
15	PIMECROLIMUS	Dermatological Agents; Immunological Agents
16	HYDROCORTISONE	Dermatological Agents; Inflammatory Bowel Disease Agents; Ophthalmic Agents; Otic Agents; Hormonal Agents, Stimulant/Replacement/Modifying (Adrenal)
17	METFORMIN	Blood Glucose Regulators
18	FLUTICASONE	Dermatological Agents; Respiratory Tract/Pulmonary Agents
19	XULANE	Contraceptives
20	TRAZODONE	Antidepressants
21	ACYCLOVIR	Antivirals; Dermatological Agents
22	AMLODIPINE	Cardiovascular Agents
23	ATORVASTATIN	Cardiovascular Agents
24	GLIPIZIDE	Blood Glucose Regulators
25	OLMESARTAN	Cardiovascular Agents

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	JARDIANCE	Blood Glucose Regulators
2	ELIQUIS	Blood Products And Modifiers
3	ALVESCO	Respiratory Tract/Pulmonary Agents
4	VICTOZA	Blood Glucose Regulators
5	OZEMPIC	Blood Glucose Regulators
6	EMGALITY	Antimigraine Agents
7	BAQSIMI ONE PACK	Glycemic Agents
8	FARXIGA	Blood Glucose Regulators
9	PRADAXA	Blood Products And Modifiers
10	ENTRESTO	Cardiovascular Agents
11	AIMOVIG	Antimigraine Agents
12	NOVOLOG	Blood Glucose Regulators
13	VASCEPA	Cardiovascular Agents
14	XARELTO	Blood Products And Modifiers
15	LANTUS	Blood Glucose Regulators
16	INSULIN	Blood Glucose Regulators
17	JANUVIA	Blood Glucose Regulators
18	TRINTELLIX	Antidepressants
19	VYVANSE	Central Nervous System Agents
20	LINZESS	Gastrointestinal Agents
21	REPATHA	Cardiovascular Agents
22	PROAIR	Respiratory Tract/Pulmonary Agents
23	ADVAIR	Respiratory Tract/Pulmonary Agents
24	HUMALOG	Blood Glucose Regulators
25	TRELEGY	Respiratory Tract/Pulmonary Agents

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	BIKTARVY	Antivirals
2	HUMIRA	Immunological Agents
3	STELARA	Immunological Agents
4	DESCOVY	Antivirals
5	TRIKAFTA	Respiratory Tract/Pulmonary Agents
6	DUPIXENT	Dermatological Agents; Immunological Agents
7	BAQSIMI ONE PACK	Glycemic Agents
8	COSENTYX	Dermatological Agents; Immunological Agents
9	OTEZLA	Dermatological Agents; Immunological Agents
10	TRULICITY	Blood Glucose Regulators
11	RISANKIZUMAB	Antipsoriatics
12	OZEMPIC	Blood Glucose Regulators
13	TREMFYA	Immunological Agents
14	REVLIMID	Antineoplastics
15	LENVIMA	Antineoplastics
16	XELJANZ	Immunological Agents
17	TAKHZYRO	Immunological Agents
18	SYMTUZA	Antivirals
19	POSACONAZOLE	Antifungals
20	TAGRISSE	Antineoplastics
21	IMBRUVICA	Antineoplastics
22	SPRYCEL	Antineoplastics
23	LATUDA	Antipsychotics
24	KOVALTRY	Blood Products And Modifiers
25	TALTZ	Immunological Agents

Appendix D:

California Health and Safety Code section 1367.243 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.)

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.)

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.

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.)

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.)

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.)

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.)

Appendix E:

Glossary

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.)

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.)

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.)

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 prior to rebate 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 2019, the threshold amount is \$670 for a one-month supply. (Please refer to CMS website for update.)

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.