



Prescription Drug Cost Transparency Report

Measurement Year 2021

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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 all 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 2022, 25 health plans submitted prescription drug data for measurement year 2021.¹

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 (YOY) increase in total annual spending impacted health plan premiums over the course of the last five years.

Key Findings²

- Health plans paid about \$10.8 billion for prescription drugs in 2021, an increase of almost \$700 million or 6.6% from 2020 (Table 1). On a PMPM basis, health plans paid \$71.46 in 2021, which is an increase of \$4.56 PMPM from 2020 (Table 2). Since 2017, prescription drug costs paid by health plans increased by \$2.1 billion or 22.2%.³
- Prescription drugs accounted for 13.3% of total health plan premiums in 2021, an increase from 12.7% in 2020 (Table 1). Prescription drugs accounted for 12.8% and 12.7% of total health plan premiums in 2019 and 2018, respectively.⁴
- Total prescription drug costs increased by 6.6% in 2021, whereas total medical expenses increased by 9.2%. Overall, total health plan premiums increased by 2.2% from 2020 to 2021. (Table 1)

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 13.3% of premium in 2021 does not capture all costs of prescription drugs paid by health plans.

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- On a PMPM basis, health plans' prescription drug costs increased by 6.8%, medical expenses increased by 9.4% and health plan premiums increased by 2.4% from 2020 to 2021. 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. (Table 2)
 - Manufacturer drug rebates totaled approximately \$1.674 billion, up from \$1.437 billion in 2020 and \$1.205 billion in 2019. This represents about 15.5% of the \$10.8 billion spent on prescription drugs in 2021. On a PMPM basis, manufacturer drug rebates equaled \$11.10 PMPM, up from \$9.51 PMPM in 2020. This also equates to 15.5% of the \$71.46 PMPM health plans paid for prescription drugs in 2021. (Tables 1 and 2)⁵
 - While specialty drugs accounted for only 1.6% of all prescription drugs dispensed, they accounted for 62.9% of total annual spending on prescription drugs. (Table 3)⁶
 - Generic drugs accounted for 88.2% of all prescribed drugs but only 16.3% of the total annual spending on prescription drugs. (Table 3)
 - Brand name drugs accounted for 10.2% of prescriptions and constituted 20.8% of the total annual spending on prescription drugs. (Table 3)
 - The 25 most frequently prescribed drugs represented 49.2% of all drugs prescribed and approximately 42.5% of the total annual spending on prescription drugs. (Table 5)
 - For the 25 most frequently prescribed drugs, enrollees paid 3.3% of the cost of specialty drugs, 9.2% of the cost of brand name drugs, and 62.4% of the cost of generics. (Table 7b)
 - Of the 13.3% of total health plan premium that was spent on prescription drugs, the 25 Most Costly Drugs accounted for 6.8%. (Table 8)
 - Overall, health plans paid 92.6% of the cost of the 25 most costly prescribed drugs across all three categories (generic, brand name and specialty). (Table 10b)
 - For the first time, the Pfizer and Moderna COVID-19 vaccines were amongst the 25 most frequently prescribed drugs, 25 most costly drugs and 25 drugs with the highest year-over-year increase in total spending. While the cost of the COVID-19 vaccines was covered by the federal government, health plans were responsible for the cost of administration of a significant number of vaccines in 2021. (Appendix C)

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 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)).

Chart 1a illustrates the total health plan premium, medical expenses, prescription drug expenses and profit on a PMPM basis from 2017 to 2021. All categories except profit increased consistently from 2017 to 2021. On average, enrollees paid \$539.13 per month in health plan premium in 2021 compared to \$526.67 in 2020, an increase of 2.4%. Health plan premiums increased by \$84.58 per month, or 18.6%, since 2017. Prescription drug expenses increased by 22.2% over the last five years, while medical expenses increased by 18.5%. Between 2017 and 2021, health plan profit margins have ranged from a high of \$18.57 PMPM in 2018 to a low of -\$1.96 in 2021.

Chart 1a

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

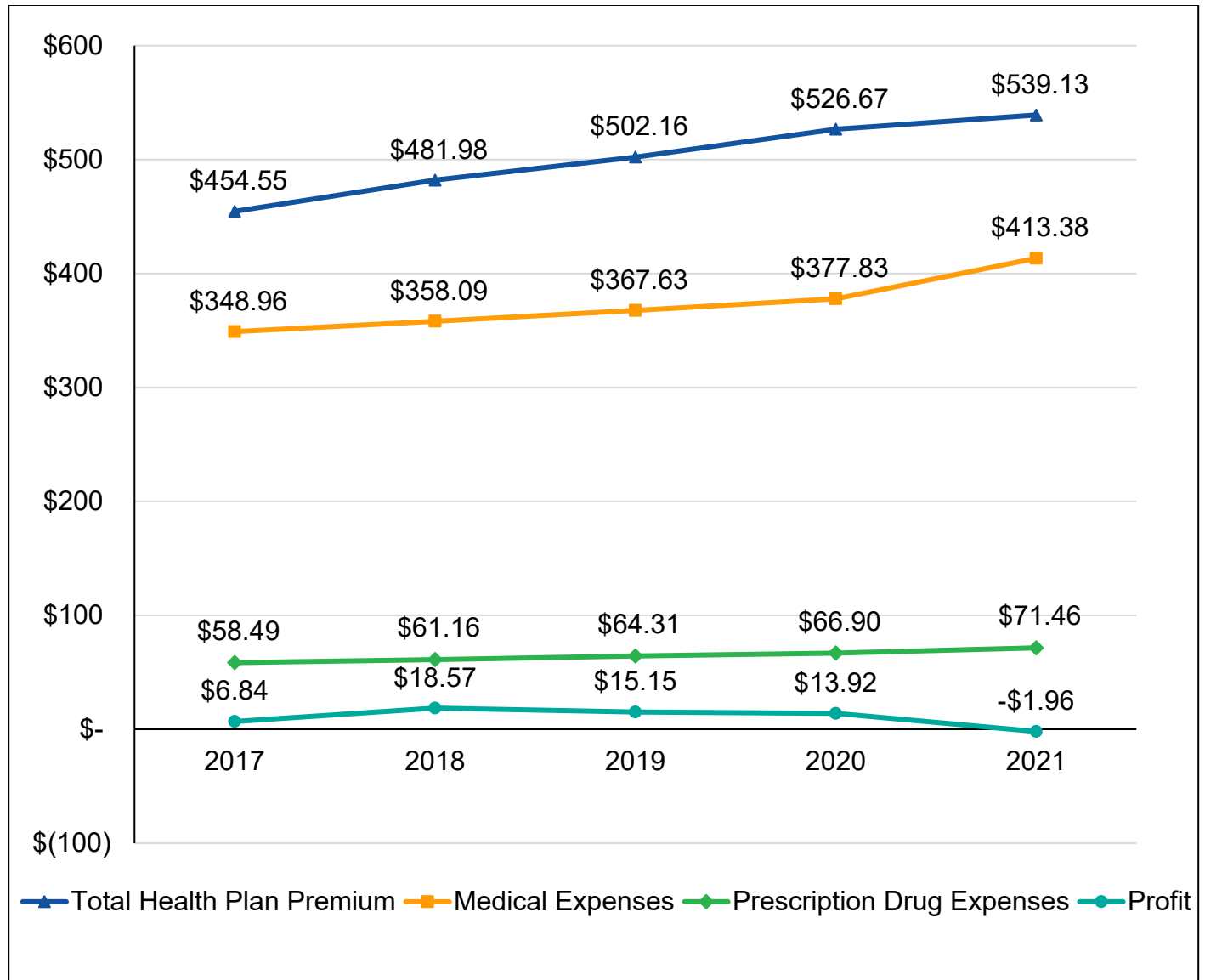
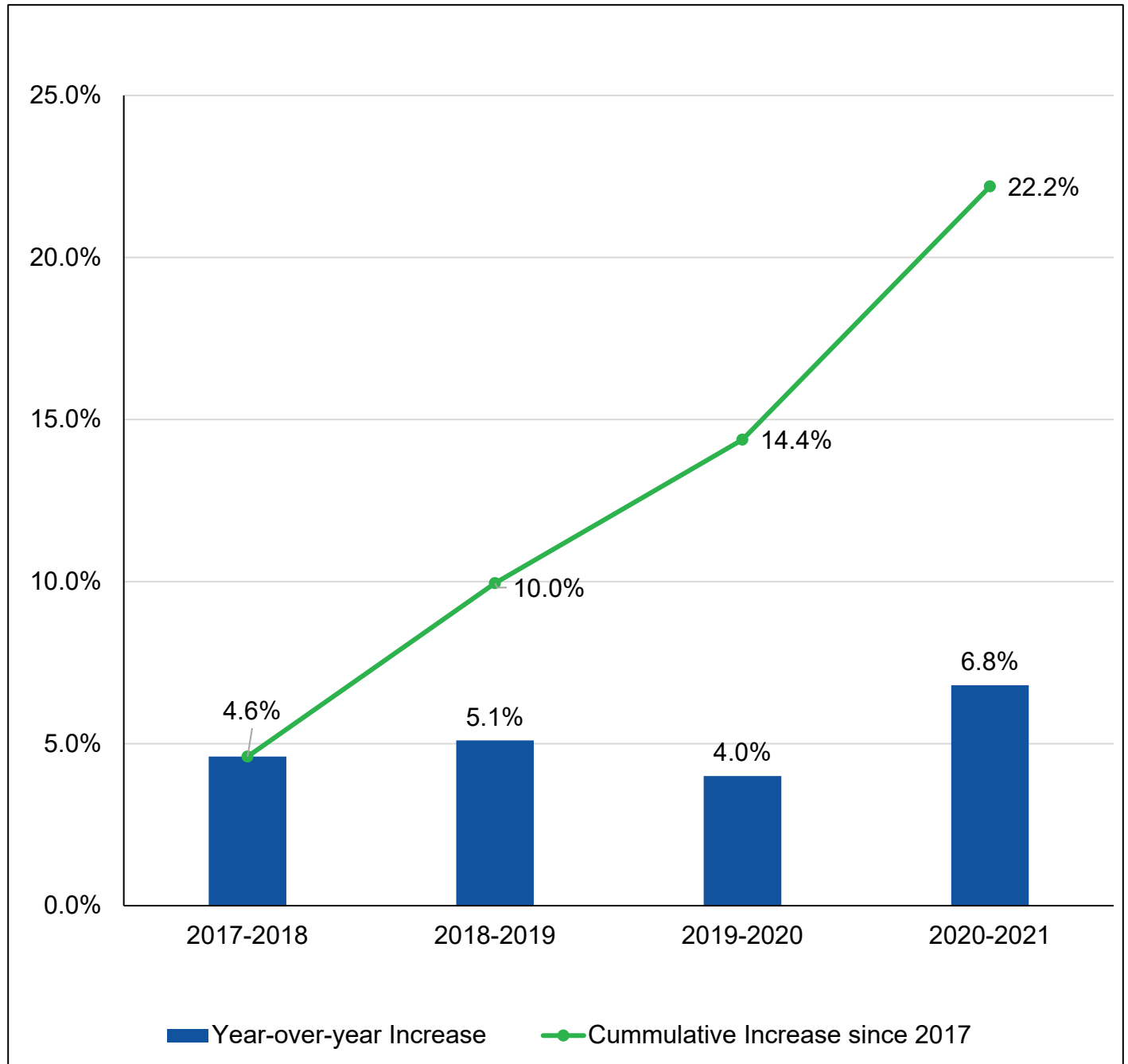


Chart 1b shows the year-over-year change in prescription drug costs on a PMPM basis from 2017 to 2021. Prescription drug costs have increased 22.2% over the last five years and on average, prescription drug costs have increased by approximately 5% each year. However, during the COVID-19 pandemic, there was more volatility.

Chart 1b

Five-Year Trend Analysis: Prescription Drug Cost Increase Trend



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 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:

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

For the 2021 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/>.

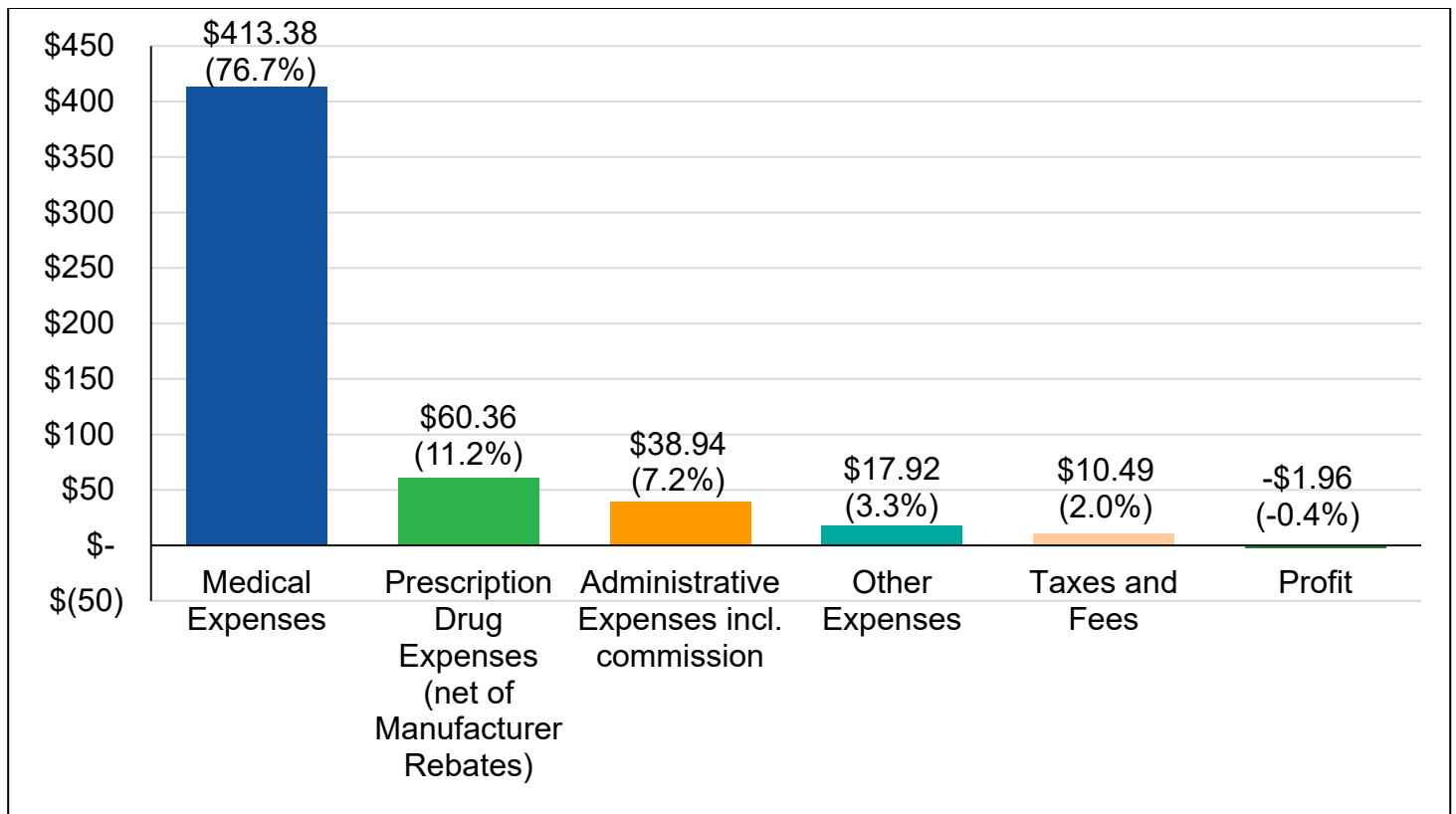
⁹ A 30-day supply of a prescription drug is 1 unit; a supply of 31 to 60-days is 2 units, and a supply more than 60-days is 3 units.

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 2021.¹⁰ 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 2021, the total health plan premium on a PMPM basis was \$539.13. Medical expenses accounted for \$413.38, or 76.7%, of the health plan premium. Prescription drug expenses, net of manufacturer rebates, accounted for \$60.36, or 11.2%, of total health plan premium on a PMPM basis. Profit accounted for -\$1.96, or -0.4%, of the total health plan premium on a PMPM basis. Administrative expenses including commissions, other expenses¹¹, and taxes and fees accounted for the remaining \$67.35, or 12.5%, 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, Medical Loss Ratio (MLR) rebate, reinsurance, and incentive payments.

Table 1 shows the portion of total health plan premiums spent on prescription drugs in 2021, which exceeded \$10.7 billion. These expenses represented 13.3% of total health plan premiums, an increase of 6.6% relative to 12.7% in 2020. Medical expenses made up 76.7%, or \$62.3 billion, of total health plan premiums. Medical expenses increased by 9.2% since 2020, a higher rate than prescription drug expenses. Manufacturer drug rebates increased by 16.5% in 2021 and totaled approximately \$1.674 billion in 2021 compared to \$1.437 billion in 2020. These rebates helped mitigate some of the overall impact of rising prescription drug prices by reducing total health plan premiums by 2.1% in 2021. Administrative expenses decreased by 2.2% and commissions increased by 7.7%. Health plan profits decreased by 114.0% and taxes and fees decreased by 53.6%.

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

Category of Premium Payment	2021	Percentage of Premium	2020	Percentage of Premium	YOY ¹² Percentage Change
Prescription Drug Expenses	\$10,771	13.3%	\$10,105	12.7%	6.6%
Medical Expenses	\$62,310	76.7%	\$57,068	71.7%	9.2%
Manufacturer Drug Rebates	(\$1,674)	(2.1%)	(\$1,437)	(1.8%)	16.5%
Administrative Expenses	\$4,170	5.1%	\$4,264	5.4%	(2.2%)
Other Expenses	\$2,702	3.3%	\$2,467	3.1%	9.5%
Commissions	\$1,699	2.1%	\$1,577	2.0%	7.7%
Taxes and Fees	\$1,581	2.0%	\$3,403	4.3%	(53.6%)
Profit	(\$295)	(0.4%)	\$2,103	2.6%	(114.0%)
Total Health Plan Premium	\$81,264	100.0%	\$79,550	100.0%	2.2%
Member Months (in millions)¹³	150.7		151.0		(0.2%)

¹² "Year-over-Year" measures the change from 2020 to 2021.

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 2021 as compared to 2020. Health plans spent \$71.46 PMPM on prescription drugs in 2021, an increase of 6.8% from 2020. Medical expenses increased by 9.4% on a PMPM basis from 2020, a higher increase rate than prescription drug expenses. Manufacturer drug rebates were \$11.10 PMPM in 2021 compared to \$9.51 PMPM in 2020. Administrative expenses decreased by 2.0% and commissions increased by 7.9% on a PMPM basis. Profits decreased by 114.1% and taxes and fees decreased by 53.4% on a PMPM basis.

Table 2

Impact of Prescription Drugs on Premiums by PMPM

Category of Premium Payment	2021	Percentage of Premium	2020	Percentage of Premium	YOY Percentage Change ¹⁴
Prescription Drug Expenses	\$71.46	13.3%	\$66.90	12.7%	6.8%
Medical Expenses	\$413.38	76.7%	\$377.83	71.7%	9.4%
Manufacturer Drug Rebates	(\$11.10)	(2.1%)	(\$9.51)	(1.8%)	16.7%
Administrative Expenses	\$27.67	5.1%	\$28.23	5.4%	(2.0%)
Other Expenses	\$17.92	3.3%	\$16.33	3.1%	9.7%
Commissions	\$11.27	2.1%	\$10.44	2.0%	7.9%
Taxes and Fees	\$10.49	2.0%	\$22.53	4.3%	(53.4%)
Profit	(\$1.96)	(0.4%)	\$13.92	2.6%	(114.1%)
Total Health Plan Premium	\$539.13	100.0%	\$526.67	100.0%	2.4%
Member Months (in millions)	150.7		151.0		(0.2%)

¹⁴ The variance in YOY Percentage Change between Table 1 and Table 2 is attributed to the change in Member Months from 2020 to 2021.

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 2018, 2019, 2020 and 2021. 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 88.2% of all prescribed drugs but represented only 16.3% (or \$12.62 PMPM) of the total annual spending on prescription drugs in 2021. Conversely, specialty drugs accounted for only 1.6% of all drugs prescribed but represented 62.9% (or \$48.73 PMPM) of the total annual spending on prescription drugs.

As seen on Tables 3 and 4, the proportion of generic and brand name spending has decreased over the last four years. Conversely, the proportion of specialty drugs 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 – 2021				
2021 Volume of All Prescription Drugs	88.2%	10.2%	1.6%	100.0%
2021 Annual Spending on All Prescription Drugs	16.3%	20.8%	62.9%	100.0%
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%

Table 4**Total Annual Spending on Prescription Drugs by PMPM**

Category	Generic	Brand Name	Specialty	Overall
Measurement Year – 2021				
2021 Annual Spending on All Prescription Drugs	\$12.62	\$16.11	\$48.73	\$77.46
2021 Number of Prescriptions (in millions)	107.6	12.4	2.0	122.0
2021 Total Member Months for Pharmacy Benefits Carve-in (in millions)				150.7
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

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 2021 health plan data related to the 25 most frequently prescribed drugs include:

- The 25 most frequently prescribed drugs accounted for approximately 49.2% of all prescribed drugs and approximately 42.5% of the total annual spending on prescription drugs. (Table 5)
- The majority, 40.3%, of the 25 most frequently prescribed drugs were generic drugs. However, generic drugs accounted for only 3.0% 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 28.6% of the total annual spending on prescription drugs and 4.0% of the total health plan premium. (Table 5)
- Total annual health plan spending on prescription drugs was \$71.46 PMPM. Overall, the 25 most frequently prescribed drugs accounted for \$30.01 PMPM (41.9%) of the total annual health plan spending on prescription drugs. (Table 6)
- Total annual spending for the 25 most frequently prescribed drugs was \$4.97 billion of which \$4.52 billion was paid by health plans and \$448 million was paid by enrollees. Health plans paid 91.0% of the total costs for the 25 most frequently prescribed drugs and enrollees paid the remaining 9.0%. (Tables 7a and 7b)

Table 5 summarizes the 25 most frequently prescribed drugs by total annual spending on prescription drugs for 2018, 2019, 2020 and 2021.

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 – 2021						
2021 Total Percentage of Prescription Drugs	40.3%	7.8%	1.1%	49.2%	50.8%	100.0%
2021 Total Annual Spending on Prescription Drugs	3.0%	10.9%	28.6%	42.5%	57.5%	100.0%
2021 Impact on Total Health Plan Premiums	0.2%	1.4%	4.0%	5.6%	7.7%	13.3%
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%

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	2021 PMPM Amount	2021 Percentage of Total Annual Health Plan Drug Spending	2020 PMPM Amount	2020 Percentage of Total Annual Health Plan Drug Spending
Generic Drugs	\$0.89	1.2%	\$1.01	1.5%
Brand Name Drugs	\$7.69	10.8%	\$7.80	11.7%
Specialty Drugs	\$21.43	29.9%	\$22.32	33.3%
25 Most Frequently Prescribed Drugs Total	\$30.01	41.9%	\$31.13	46.5%
All Other Prescribed Drugs	\$41.45	58.1%	\$35.77	53.5%
Total Annual Health Plan Prescription Drug Spending	\$71.46	100.0%	\$66.90	100.0%

Tables 7a and 7b show the portion of prescription drug costs paid by both health plans and enrollees for 2020 and 2021.

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)	
	2021	2020	2021	2020	2021	2020
Generic Drugs	\$133	\$152	\$221	\$220	\$354	\$372
Brand Name Drugs	\$1,159	\$1,178	\$118	\$153	\$1,277	\$1,331
Specialty Drugs	\$3,230	\$3,371	\$109	\$101	\$3,339	\$3,472
25 Most Frequently Prescribed Drugs Total	\$4,522	\$4,701	\$448	\$474	\$4,970	\$5,175
All Other Prescribed Drugs	\$6,249	\$5,404	\$457	\$624	\$6,706	\$6,028
Total for All Prescribed Drugs	\$10,771	\$10,105	\$905	\$1,098	\$11,676	\$11,203

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

Category	2021 Percentage Paid by Health Plans	2021 Percentage Paid by Enrollees	2021 Total Percentage Paid by Health Plans and Enrollees	2020 Percentage Paid by Health Plans	2020 Percentage Paid by Enrollees	2020 Total Percentage Paid by Health Plans and Enrollees
Generic Drugs	37.6%	62.4%	100.0%	40.8%	59.2%	100.0%
Brand Name Drugs	90.8%	9.2%	100.0%	88.5%	11.5%	100.0%
Specialty Drugs	96.7%	3.3%	100.0%	97.1%	2.9%	100.0%
25 Most Frequently Prescribed Drugs Total	91.0%	9.0%	100.0%	90.8%	9.2%	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 2021 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 34.1% of the total number of prescribed drugs and 51.2% of the total annual spending on prescription drugs. Of the 13.3% of total health plan premium that was spent on prescription drugs, the 25 most costly drugs accounted for 6.8%. (Table 8)
- The specialty drugs included in the 25 most costly drugs accounted for only 0.9% of all prescriptions, but they represented 33.4% of the total annual prescription drug spending and approximately 4.7% of the overall total health plan premiums. Conversely, the generic drugs included in the 25 most costly drugs accounted for 26.6% of all prescribed drugs, but only 5.2% of the total annual spending on prescription drugs and 0.5% of health plan premiums. (Table 8)
- Overall, the 25 most costly drugs accounted for \$36.71 PMPM (51.3%) of the total annual health plan spending on prescription drugs in 2021. (Table 9)
- For the 25 most costly drugs, health plans paid 92.6% of the costs in 2021 and enrollees paid the remaining 7.4%. Health plans spent approximately \$5.5 billion, and enrollees spent an additional \$440 million on the top 25 most costly prescription drugs. (Tables 10a and 10b)
- Health plans paid 97.1% of the 25 most costly specialty drugs, 91.3% of the 25 most costly brand name drugs, and 67.1% of the 25 most costly generic drugs. Enrollees paid 2.9% of the cost of the 25 most costly specialty drugs, 8.7% of the costs of the 25 most costly brand name drugs, and 32.9% 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 2018, 2019, 2020 and 2021.

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 – 2021						
2021 Total Percentage of Prescription Drugs	26.6%	6.6%	0.9%	34.1%	65.9%	100.0%
2021 Total Annual Spending on Prescription Drugs	5.2%	12.6%	33.4%	51.2%	48.8%	100.0%
2021 Impact on Total Health Plan Premiums	0.5%	1.6%	4.7%	6.8%	6.5%	13.3%
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%

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	2021 PMPM Amount	2021 Percentage of Total Annual Health Plan Drug Spending	2020 PMPM Amount	2020 Percentage of Total Annual Health Plan Drug Spending
Generic Drugs	\$2.71	3.8%	\$2.98	4.5%
Brand Name Drugs	\$8.90	12.4%	\$9.00	13.4%
Specialty Drugs	\$25.10	35.1%	\$25.75	38.5%
25 Most Costly Drugs Total	\$36.71	51.3%	\$37.73	56.4%
All Other Prescribed Drugs	\$34.75	48.7%	\$29.17	43.6%
Total Annual Health Plan Prescription Drug Spending	\$71.46	100.0%	\$66.90	100.0%

Tables 10a and 10b show the portion of prescription drug costs that were paid by both health plans and enrollees in 2020 and 2021.

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)	
	2021	2020	2021	2020	2021	2020
Generic Drug	\$409	\$450	\$201	\$186	\$610	\$636
Brand Name Drug	\$1,340	\$1,358	\$128	\$156	\$1,468	\$1,514
Specialty Drug	\$3,784	\$3,890	\$111	\$100	\$3,895	\$3,990
Total	\$5,533	\$5,698	\$440	\$442	\$5,973	\$6,140

Table 10b

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

Category	2021 Percentage Paid by Health Plans	2021 Percentage Paid by Enrollees	2021 Total Percentage Paid by Health Plans and Enrollees	2020 Percentage Paid by Health Plans	2020 Percentage Paid by Enrollees	2020 Total Percentage Paid by Health Plans and Enrollees
Generic Drug	67.1%	32.9%	100.0%	70.7%	29.3%	100.0%
Brand Name Drug	91.3%	8.7%	100.0%	89.7%	10.3%	100.0%
Specialty Drug	97.1%	2.9%	100.0%	97.5%	2.5%	100.0%
Total	92.6%	7.4%	100.0%	92.8%	7.2%	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 2018, 2019, 2020, and 2021. The observations from the 2021 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 32.9% of the total annual spending on prescription drugs, a decrease from prior years.
- The 25 specialty drugs with the highest year-over-year increase in spending accounted for 22.6% of the total annual spending on prescription drugs. The 25 brand name drugs with the highest year-over-year increase in spending accounted for 7.7% of the total annual spending on prescription drugs. The 25 generic drugs with the highest year-over-year increase accounted for only 2.6% 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 in Total Spending				All Other Prescribed Drugs	Total
	Generic	Brand Name	Specialty	Subtotal		
Measurement Year – 2021						
Total Annual Spending on Prescription Drugs with highest year-over-year increase from 2020 to 2021	2.6%	7.7%	22.6%	32.9%	67.1%	100.0%
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%

VII. Conclusion

The impact of prescription drug costs on health plan premiums is significant. Health plans paid about \$10.8 billion for prescription drugs in 2021, up from approximately \$10.1 billion in 2020 and \$9.6 billion in 2019. Enrollees spent nearly \$1 billion for prescription drugs in 2021. Since 2017, prescription drug costs paid by health plans increased by \$2.1 billion. Prescription drug costs paid by health plans accounted for 13.3% of the total health plan premium, which has increased slightly 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 62.9% of the total annual spending on prescription drugs. Generic drugs made up 88.2% of all the drugs prescribed in 2021 but represented only 16.3% of total annual spending on prescription drugs. Brand name drugs made up 10.2% of all the drugs prescribed in 2021 and represented 20.8% of total spending on prescriptions drugs.

Generally, the proportion of drugs dispensed as generic and specialty drugs increased from 2017 to 2021. However, the proportion of the total annual spend increased for specialty drugs and decreased for generic and brand name drugs from 2017 through 2021.

For the first time, vaccines to protect against hospitalization and death from the coronavirus disease (COVID-19) emerged in 2021. Pfizer and Moderna vaccines were amongst the most frequently prescribed brand name drugs, the most costly brand name drugs, and the brand name drugs with the highest year-over-year increase in total spending.

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 2021

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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 2020 to 2021. 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 2021 for the 25 most costly drugs, and the total dollar amount increase in spending from 2020 to 2021 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 81% 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	Doing Business As (DBA)
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 Prescriptions 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	Antibacterial; Hormonal Agents - Thyroid
5	AMLODIPINE	Cardiovascular Agents
6	LOSARTAN	Cardiovascular Agents
7	HYDROCHLOROTHIAZIDE	Cardiovascular Agents
8	SERTRALINE	Antidepressants
9	IBUPROFEN	Analgesics; Anti-Inflammatory Agents
10	OMEPRAZOLE	Gastrointestinal Agents
11	ROSUVASTATIN	Cardiovascular Agents
12	ESCITALOPRAM	Antidepressants
13	GABAPENTIN	Anticonvulsants
14	BUPROPION	Antidepressants
15	ALBUTEROL	Respiratory Tract/Pulmonary Agents
16	FLUOXETINE	Antidepressants
17	HYDROCODONE	Analgesics
18	MONTELUKAST	Respiratory Tract/Pulmonary Agents
19	GLIPIZIDE	Blood Glucose Regulators
20	ATENOLOL	Cardiovascular Agents
21	SIMVASTATIN	Cardiovascular Agents
22	JUNEL	Contraceptives
23	METOPROLOL	Cardiovascular Agents
24	SILDENAFIL	Respiratory Tract/Pulmonary Agents
25	AMOXICILLIN	Antibacterial

Appendix C:

Lists of Prescriptions Drugs

25 Most Frequently Prescribed Brand Name Drugs

Rank	Prescription Drug Name	Therapy Class
1	PFIZER COVID-19 VACCINE	Viral Vaccines
2	MODERNA COVID-19 VACCINE	Viral Vaccines
3	HUMULIN	Blood Glucose Regulators
4	ALVESCO	Respiratory Tract/Pulmonary Agents
5	JARDIANCE	Blood Glucose Regulators
6	HUMALOG	Blood Glucose Regulators
7	LANTUS	Blood Glucose Regulators
8	SYNTHROID	Hormonal Agents - Thyroid
9	VYVANSE	Central Nervous System Agents
10	RETIN-A	Dermatological Agents
11	LO LOESTRIN FE	Contraceptives; Hormonal Agents - Sex Hormones/Modifiers
12	K-TAB	Gastrointestinal Agents
13	PRADAXA	Blood Products and Modifiers
14	FLUZONE	Vaccines
15	ESTRADIOL	Hormonal Agents - Sex Hormones/Modifiers
16	ONETOUCH	Glucose Testing Supplies
17	JANUVIA	Blood Glucose Regulators
18	ELIQUIS	Blood Products And Modifiers
19	NOVOLOG	Blood Glucose Regulators
20	FLUARIX	Vaccines
21	VENTOLIN	Respiratory Tract/Pulmonary Agents
22	FLUCELVAX	Vaccines
23	XARELTO	Blood Products And Modifiers
24	ACCU-CHEK	Glucose Testing Supplies
25	JANSSEN COVID-19 VACCINE	Viral Vaccines

Appendix C:

Lists of Prescriptions Drugs

25 Most Frequently Prescribed Specialty Drugs

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

Appendix C:

Lists of Prescriptions Drugs

25 Most Costly Generic Drugs by Total Annual Spending

Rank	Prescription Drug Name	Therapy Class
1	TRUVADA	Antivirals
2	WIXELA	Bronchodilators, Sympathomimetic
3	DEXTROAMPHETAMINE	Central Nervous System Agents
4	LEVOTHYROXINE	Antibacterial; Hormonal Agents - Thyroid
5	ATORVASTATIN	Cardiovascular Agents
6	ESTRADIOL	Hormonal Agents - Sex Hormones/Modifiers
7	ALBUTEROL	Respiratory Tract/Pulmonary Agents
8	BUPROPION	Antidepressants
9	ERTUGLIFLOZIN PIDOLATE	Respiratory Tract/Pulmonary Agents
10	METHYLPHENIDATE	Central Nervous System Agents
11	MESALAMINE	Inflammatory Bowel Disease Agents
12	ROSUVASTATIN	Cardiovascular Agents
13	METFORMIN	Blood Glucose Regulators
14	LISINOPRIL	Cardiovascular Agents; Central Nervous System Agents
15	CLOBETASOL	Hormonal Agents- Adrenal; Dermatological Agents; Inflammatory Bowel Disease Agents
16	LOSARTAN	Cardiovascular Agents
17	GABAPENTIN	Anticonvulsants
18	ELURYNG	Contraceptives
19	BUDESONIDE	Hormonal Agents - Adrenal
20	IBUPROFEN	Analgesics; Anti-Inflammatory Agents
21	SERTRALINE	Antidepressants
22	TACROLIMUS	Dermatological Agents; Immunological Agents
23	HYDROCODONE	Analgesics
24	AMLODIPINE	Cardiovascular Agents
25	DICLOFENAC	Anti-Inflammatory Agents; Analgesics; Dermatological Agents

Appendix C:

Lists of Prescriptions Drugs

25 Most Costly Brand Name Drugs by Total Annual Spending

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

Appendix C:

Lists of Prescriptions Drugs

25 Most Costly Specialty Drugs by Total Annual Spending

Rank	Prescription Drug Name	Therapy Class
1	HUMIRA	Immunological Agents
2	STELARA	Immunological Agents
3	BIKTARVY	Antivirals
4	ENBREL	Immunological Agents
5	COSENTYX	Dermatological Agents; Immunological Agents
6	REVLIMID	Antineoplastics
7	DUPIXENT	Dermatological Agents; Immunological Agents
8	OTEZLA	Dermatological Agents; Immunological Agents
9	GENVOYA	Antivirals
10	DESCOVY	Antivirals
11	TRULICITY	Blood Glucose Regulators
12	IBRANCE	Antineoplastics
13	TRIUMEQ	Antivirals
14	XELJANZ	Immunological Agents
15	OZEMPIC	Blood Glucose Regulators
16	LATUDA	Antipsychotics
17	SPRYCEL	Antineoplastics
18	TREMFYA	Immunological Agents
19	TAGRISSO	Antineoplastics
20	TRIKAFTA	Respiratory Tract/Pulmonary Agents
21	ODEFSEY	Antivirals
22	IMBRUVICA	Antineoplastics
23	NUTROPIN	Hormonal Agents, Stimulant/Replacement/Modifying - Pituitary
24	VICTOZA	Blood Glucose Regulators
25	TRUVADA	Antivirals

Appendix C:

Lists of Prescriptions Drugs

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

Rank	Prescription Drug Name	Therapy Class
1	WIXELA	Bronchodilators, Sympathomimetic
2	DEXTROAMPHETAMINE	Central Nervous System Agents
3	ALBUTEROL	Respiratory Tract/Pulmonary Agents
4	ERTUGLIFLOZIN PIDOLATE	Respiratory Tract/Pulmonary Agents
5	TRUVADA	Antivirals
6	CIPROFLOXACIN AND DEXAMETHASONE	Antibacterial
7	BUPROPION	Antidepressants
8	BUPRENORPHINE	Anti-Addiction/Substance Abuse Treatment Agents; Analgesics
9	FAMOTIDINE	Gastrointestinal Agents
10	BUDESONIDE	Hormonal Agents - Adrenal
11	ROSUVASTATIN	Cardiovascular Agents
12	TACROLIMUS	Dermatological Agents; Immunological Agents
13	IVERMECTIN	Antiparasitic Agents
14	ESTRADIOL	Hormonal Agents - Sex Hormones/Modifiers
15	TESTOSTERONE	Hormonal Agents - Sex Hormones/Modifiers
16	CLOBETASOL	Hormonal Agents- Adrenal; Dermatological Agents; Inflammatory Bowel Disease Agents
17	GLIPIZIDE	Blood Glucose Regulators
18	METHYLPHENIDATE	Central Nervous System Agents
19	DOTTI	Estrogens
20	TRETINOIN	Dermatological Agents; Antineoplastics
21	PREDNISOLONE	Hormonal Agents, Stimulant/Replacement/Modifying (Adrenal); Ophthalmic Agents; Inflammatory Bowel Disease Agents
22	LORYNA	Contraceptives
23	ATORVASTATIN	Cardiovascular Agents
24	TRAZODONE	Antidepressants
25	AMLODIPINE	Cardiovascular Agents

Appendix C:

Lists of Prescriptions Drugs

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

Rank	Prescription Drug Name	Therapy Class
1	PFIZER COVID-19 VACCINE	Viral Vaccines
2	JARDIANCE	Blood Glucose Regulators
3	MODERNA COVID-19 VACCINE	Viral Vaccines
4	ELIQUIS	Blood Products And Modifiers
5	CEQUA	Ophthalmic Agents, Other
6	FARXIGA	Blood Glucose Regulators
7	PRADAXA	Blood Products And Modifiers
8	ENTRESTO	Cardiovascular Agents
9	VYVANSE	Central Nervous System Agents
10	TRULICITY	Blood Glucose Regulators
11	LIALDA	Inflammatory Bowel Disease Agents
12	OZEMPIC	Blood Glucose Regulators
13	XARELTO	Blood Products And Modifiers
14	LANTUS	Blood Glucose Regulators
15	TRELEGY	Respiratory Tract/Pulmonary Agents
16	INSULIN	Blood Glucose Regulators
17	REPATHA	Cardiovascular Agents
18	SYMBICORT	Respiratory Tract/ Pulmonary Agents
19	HUMALOG	Blood Glucose Regulators
20	LO LOESTRIN FE	Contraceptives; Hormonal Agents - Sex Hormones/Modifiers
21	ADVAIR	Respiratory Tract/Pulmonary Agents
22	RETIN-A	Dermatological Agents
23	EMGALITY	Antimigraine Agents
24	LINZESS	Gastrointestinal Agents
25	MYRBETRIQ	Genitourinary Agents

Appendix C:

Lists of Prescriptions Drugs

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

Rank	Prescription Drug Name	Therapy Class
1	STELARA	Immunological Agents
2	BIKTARVY	Antivirals
3	HUMIRA	Immunological Agents
4	DUPIXENT	Dermatological Agents; Immunological Agents
5	COSENTYX	Dermatological Agents; Immunological Agents
6	OZEMPIC	Blood Glucose Regulators
7	TREMFYA	Immunological Agents
8	TRUVADA	Antivirals
9	DESCOVY	Antivirals
10	REVLIMID	Antineoplastics
11	TRULICITY	Blood Glucose Regulators
12	VICTOZA	Blood Glucose Regulators
13	RISANKIZUMAB	Antipsoriatics
14	EMICIZUMAB	Blood Products And Modifiers
15	RINVOQ	Antiarthritics
16	OTEZLA	Dermatological Agents; Immunological Agents
17	RYBELSUS	Antidiabetics
18	TAGRISO	Antineoplastics
19	TALTZ	Immunological Agents
20	EPCLUSA	Antivirals
21	NURTEC ODT	Antimigraine Agents
22	VERZENIO	Antineoplastics
23	XYWAV	Central Nervous System Agents
24	TRIKAFTA	Respiratory Tract/Pulmonary Agents
25	XELJANZ	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.

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.

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. 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.

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.

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.

Dispensed at Pharmacy: Dispensed at a plan pharmacy, network pharmacy, or mail order pharmacy for outpatient use.

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.

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.

Interchangeable Product: An interchangeable product is a biosimilar product that meets additional requirements outlined by the Biologics Price Competition and Innovation Act.

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.

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.

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.

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.

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.

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.

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.

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.).

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.

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.

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.