

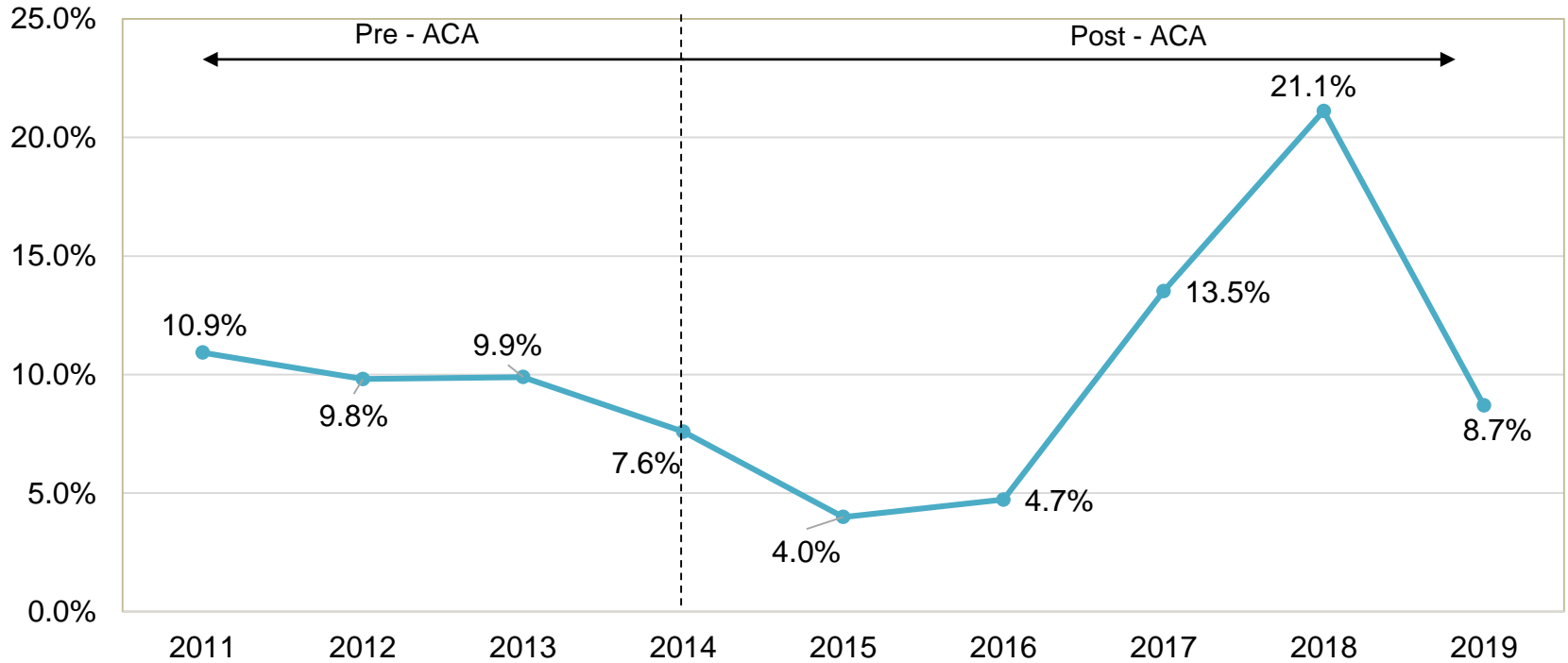
Health Care Costs and Cost Transparency

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DMHC Mission Statement

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

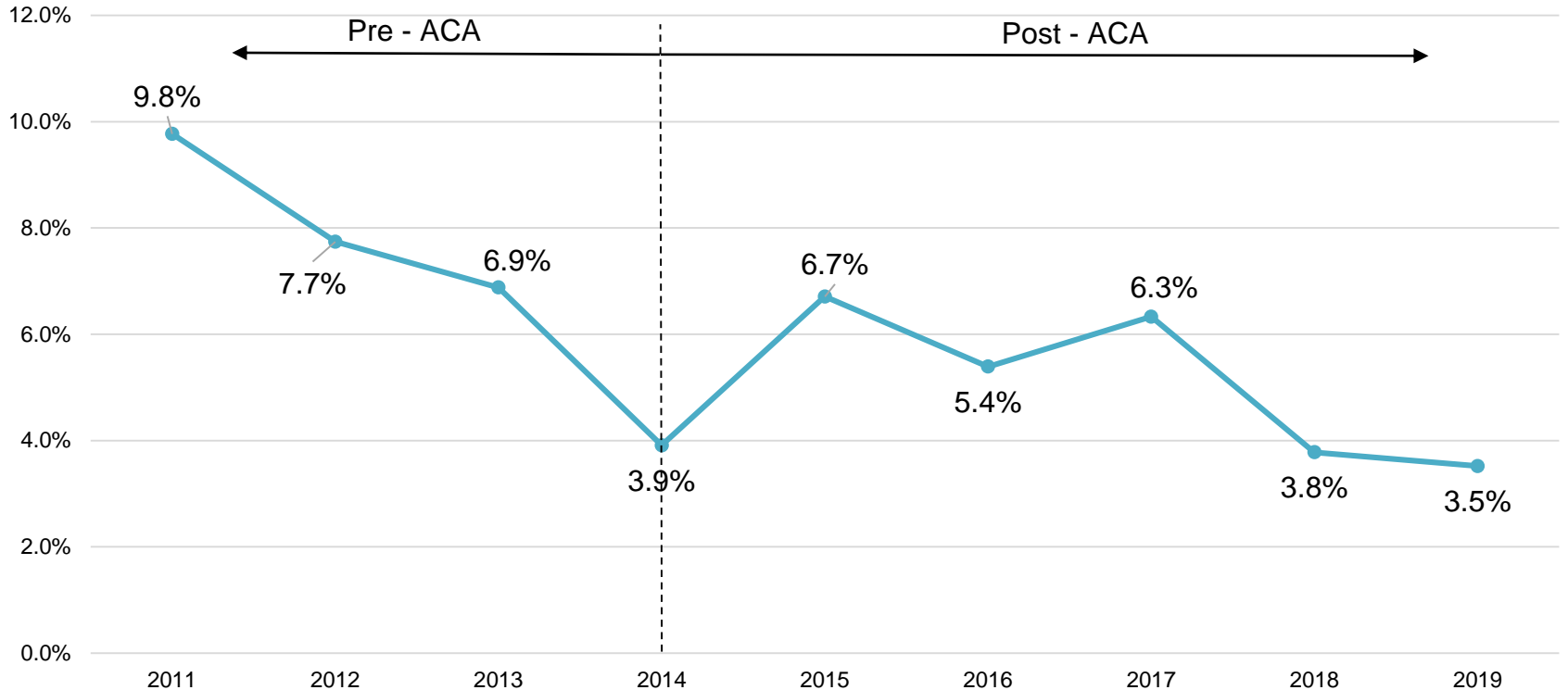
Individual Market Rate Trend



Individual Market Trend Factors

- **2017: End of reinsurance program**
- **2018: Lack of Cost Sharing Reduction payments loaded into premium**
- **2019: No enforcement of individual mandate**

Small Group Market Rate Trend



SB 17 (Hernandez)

Rx Drug Cost Transparency

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

SB 17 Reporting Parameters and Limitations

- Plan reporting is limited to Rx costs associated with the pharmacy benefit
- Does not include Rx costs for inpatient drugs (hospital) or Rx costs borne by delegated medical groups
- Does not include Rx costs for self-funded arrangements, Medi-Cal managed care, Medicare Advantage and plans/insurers not regulated by the DMHC
- Report represents 25 health plans and 148.1 million member months (annualized: approx. 12.3 million Californians)
- CDI issues a separate report for its insurers

DMHC SB 17 Annual Report

Some Key Findings:

- Health plans paid nearly \$8.7 billion for Rx drugs (administered through the pharmacy benefit)*
- Rx drugs accounted for 13.1% of total health plan premiums*
- Manufacturer drug rebates equaled ~ \$915 M or about 10.5% of the \$8.7 B spent on Rx drugs

DMHC SB 17 Annual Report

Some Key Findings, Cont:

- While specialty drugs accounted for 1.6% of all Rx drugs, they accounted for over half (51.5%) of total annual spending on Rx drugs.
- For the *25 most frequently prescribed drugs* enrollees paid approximately 3% (2.9 percent) of the cost of specialty drugs and over half (56.6%) of the cost of generics.

Questions?