Prescription Drugs

Mandates Counter Efforts to Contain Health Care Costs for All

Health care spending in the United States is on the rise and a component of that increase is escalating prescription drug costs. By no means is California immune from this spending surge. Premiums in employer-sponsored health plans have increased year after year due to myriad issues, including point-of-care costs, mandated administrative expenses, and prescription drug pricing.

CALIFORNIA PRESCRIPTION DRUG SPENDING

According to the Department of Managed Health Care (DMHC), health plans paid more than $10.1 billion for prescription drugs in 2020, an increase of almost $500 million or 5% from 2019, compared with an increase of 3.7% in total medical expenses, and an increase in total health plan premiums of 5.9%. On a per-member-per-month basis, health plans paid $66.90 in 2020 for prescription drugs, which is an increase of $2.59 (4%) from 2019. Prescription drugs accounted for 12.7% of total health plan premiums in 2020, which was a slight decrease from 2019.

The DMHC found that 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. Generic drugs accounted for 89.1% of all prescribed drugs but only 18.1% of the total annual spending on prescription drugs.

National health expenditure data from the Centers for Medicare & Medicaid Services indicates that prescription drug spending increased to $333.4 billion in 2017 — a 40% increase from 2007. The Centers for Medicare & Medicaid Services also projected that such spending would continue, climbing to $1,635 per capita by 2027 — an increase of 60%. The price of prescription medications rose 62% between 2011 and 2015.

During last year's legislative session, two pieces of legislation attempted to address this issue. AB 933 (Daly; D-Anaheim) and SB 1361 (Kamlager; D-Los Angeles) focused on drug costs that affect pharmaceutical prices for consumers.

MANDATES AND COST SHARING RESTRICTIONS NOT THE ANSWER

AB 933 and SB 1361 would have required an enrollee's or insured's prescription drug cost sharing be calculated at the point of sale (POS) based on a price that was reduced by an amount equal to 90% of all rebates received, or to be received, in connection with the dispensing or administration of the drug. Addressing high drug prices is a laudable goal and one with which California employers agree. This proposed requirement, however, would have increased health care premiums significantly for all employers and employees while only some patients would have enjoyed a drug cost reduction.

The attention these bills directed at high drug prices was commendable. Unfortunately, the implementation of the bills would have had weighty ramifications for employer and employee health care costs. The California Health Benefits Review Program (CHBRP) concluded that if AB 933 went into effect, it would have increased employer health care premiums by nearly $109 million. Employee premiums also would have increased by more than $41 million.

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In addition to cost concerns, the benefits of AB 933 would likely have been concentrated among patients who used highly rebated drugs while the global cost increase would have affected all insured and plan members in California. Specifically, patients who are prescribed lower-cost or generic drugs would pay higher premiums but not reap POS savings as the bills intended.

CALCHAMBER POSITION

There is no disagreement that health care costs are rising and making it more difficult for employers and their employees to afford quality, accessible care. Maintaining a viable health insurance market with affordable and accessible pharmaceuticals is important. However, mandates that attempt to contain drug costs for consumers in the health care market rather than other entities in the supply chain ultimately will increase premiums for employers and employees.

The California Chamber of Commerce will continue to promote efforts to contain health care costs and improve access to high-quality care while avoiding added burdens and higher costs on employers.

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