

# **Impact of Prescription Drug Costs on Health Insurance Premiums**

**Report for Calendar Year 2017 Experience**

**Pursuant to California Insurance Code § 10123.205(b)**



California Department of Insurance

December 31, 2018

## **Table of Contents**

**I – Executive Summary**

**II – Overview of the Filings**

**III – Summary of the Filings**

**IV – Glossary**

## I – Executive Summary

This report summarizes the California Department of Insurance (CDI) findings regarding prescription drug costs for commercial health insurance policies for the 2017 calendar year, based on data provided to the department pursuant to California Insurance Code (CIC) § 10123.205(a).<sup>1</sup> This report demonstrates the overall impact of drug costs on health insurance premiums pursuant to CIC § 10123.205(b).<sup>2</sup>

**Definitions:** Definitions and sources of the terms used can be found in the glossary, but the following terms are used frequently throughout the report.

*Total Annual 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. Also referred to as Annual Plan Spending. In this report, the terms “Prescription Drug Spending” and “Medical Claim Spending” are used to describe these components of Total Annual Spending.

*Prescription Drug Spending:* Total payments made under the policy for prescription drugs on behalf of covered members, including payments made by insurers and member cost sharing = Allowed Dollar Amount.

*Medical Claim Spending:* Total payments made under the policy for medical claims submitted by health care providers on behalf of covered members, including payments made by issuers and member cost sharing = Allowed Dollar Amount.

*Member Cost Sharing:* Total payments made by members under the policy for prescription drugs, including copays, deductibles, and coinsurance = Allowed Dollar Amount – Paid Plan Cost.

*Member Months:* The total number of lives, including dependents, insured on a pre-specified day of each month of the reporting period.

*Insurer Spending:* Allowed Dollar Amount minus the member cost-sharing amount = Incurred Costs. (When used in the context of drug costs, this term does not include the effect of any Manufacturer Rebate.) Also known as Paid Plan Claim or Paid Plan Cost.

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<sup>1</sup> CIC § 10123.205(a) (1) A health insurer that reports rate information pursuant to Section 10181.3 or 10181.45 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.

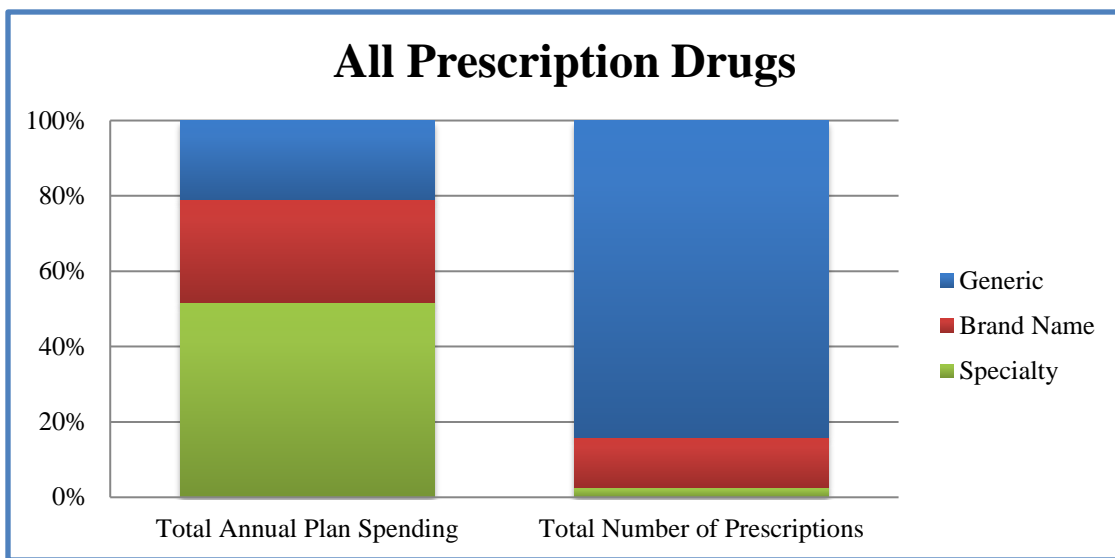
<sup>2</sup> CIC § 10123.205(b) The department shall compile the information reported pursuant to subdivision (a) into a report for the public and legislators that demonstrates the overall impact of drug costs on health care premiums. The data in the report shall be aggregated and shall not reveal information specific to individual health insurers.

**Filings:** Covered prescription drugs, include all covered drugs dispensed at a plan pharmacy, network pharmacy, or mail order pharmacy for outpatient use, and include the following drug categories: generic, brand name, and specialty. CDI-regulated insurers reported to the department the 25 most frequently prescribed drugs, the 25 most costly drugs by total annual spending, and the 25 drugs with the highest year-over-year increase in total annual spending. This report aggregates the data provided across all insurers and does not reveal any insurer-specific information.

**Cost and Utilization For All Prescription Drugs:** For the 2017 calendar experience year, total combined annual prescription drug spending (insurer payment plus member cost-share), total insurer costs (insurer payment not including cost share), and the total number of prescriptions for all generic, brand name, and specialty drugs for all market segments (individual, small group, and large group) are summarized in Table 1:

All Prescription Drugs	Generic	Brand Name	Specialty	Total
Total Prescription Drug Spending (\$ million)	\$258.9	\$334.8	\$636.3	\$1,230.0
Total Prescription Drug Spending by Insurers (\$ million)	\$172.6	\$271.3	\$605.8	\$1,049.7
Total Number of Prescriptions (thousand)	8,861	1,417	270	10,548

Table 1



Utilizing the information from Table 1, the chart above shows how prescription drug spending and utilization differs by drug type: generic drugs comprise 84% of prescriptions and 21% of spending while specialty drugs comprise 3% of prescriptions and 52% of spending.

**Costs In Relation To Premiums for All Prescription Drugs:** For 2017, for comprehensive medical plans with pharmacy benefits, total and per member per month (PMPM) costs for prescription drugs, medical claims, administrative expenses, etc., and health insurance premium are included in Table 2:

Component of Premium	Total Dollars (\$ million)	PMPM
Prescription Drug Spending by Insurers	\$1,049.7	\$81.18
Medical Claim Spending by Insurers	\$4,710.5	\$364.28
Manufacturer Rebate Paid to Insurers	-\$186.2	-\$14.40
Administrative Expenses Related to Medical Claims and Prescription Drug Coverage	\$650.0	\$50.26
Other Expenses Related to Medical Claims and Prescription Drug Coverage <sup>3</sup>	\$123.0	\$9.51
Total Health Insurance Premium	\$6,346.9	\$490.84
Total Member Months <sup>4</sup>	12,931,000	

Table 2

Table 2 includes aggregated information that is based upon submissions from all insurance companies to CDI and includes data from all fully-insured policies in the individual, small group, and large group markets.

<sup>3</sup> Other expenses include federal and state taxes and licensing or regulatory fees, risk margin, and profit.

**Year-Over-Year Changes In Costs For All Prescription Drugs:** Comparisons of PMPM costs between 2016 and 2017 for comprehensive medical plans that include pharmacy benefits are shown in Table 3:

Component of Premium	PMPM (2017)	As a % of Premium (2017)	PMPM (2016)	As a % of Premium (2016)
Prescription Drug Spending by Insurers	\$81.18	16.5%	\$76.48	16.3%
Medical Claim Spending by Insurers	\$364.28	74.2%	\$338.49	72.1%
Manufacturer Rebate	-\$14.40	-2.9%	-\$12.55	-2.7%
Administrative Expenses Related to Medical Claims and Prescription Drug Coverage	\$50.26	10.2%	\$50.38	10.8%
Other Expenses Related to Medical Claims and Prescription Drug Coverage <sup>5</sup>	\$9.51	1.9%	\$16.66	3.5%
Total Health Insurance Premium	\$490.84	100%	\$469.47	100%
Total Member Months	12,931,000		13,340,000	

Table 3

*From 2016 to 2017, the PMPM prescription drug cost, medical claim cost, and premium increased. Manufacturer rebates also increased. While the rebate serves to reduce the prescription drug cost (and thus is listed as a negative number in the above table), its increase may also indicate an increase in utilization of both brand name and specialty drugs, as there are typically no rebates paid on generic drugs.*

All Prescription Drugs	2017	2016
Prescription Cost (Net of Rebates)		
-as a % of Paid Medical + Rx Cost	15.5%	15.9%
-as a % of Total Health Care Premium	13.6%	13.6%

Table 4

*As shown in Table 4, prescription drug costs, net of manufacturer rebates, are stable when measured as a percent of medical and drug cost and when measured as a percent of health*

<sup>5</sup> Other expenses include federal and state taxes and licensing or regulatory fees, risk margin, and profit.

insurance premiums. However, Table 4 measures the net cost borne by health insurers, but is not a measure of member cost sharing.

**Prescription Drug Costs PMPM for All Prescription Drugs:** Total annual prescription spending, insurer spending, and member cost-sharing for all prescription drugs on a PMPM basis are summarized in Table 5:

All Prescription Drugs	Generic (PMPM)	Brand Name (PMPM)	Specialty (PMPM)	Total (PMPM)
Total Prescription Drug Spending	\$20.02	\$25.89	\$49.21	\$95.12
Total Member Cost Sharing	\$6.68	\$4.91	\$2.36	\$13.94
Total Insurer Prescription Drug Spending	\$13.35	\$20.98	\$46.85	\$81.18

Table 5

*In Table 5 member cost sharing for prescription drugs is 15% overall, measured as a percent of total annual prescription drug spending before rebates to insurers. Member cost sharing increases to 21% if measured as a percent of total annual prescription drug spending net of rebates. Separate rebate information for generic, brand name, and specialty drugs is not available.*

**Prescription Drug Costs Per Script for All Prescription Drugs:** Total annual prescription drug spending, paid prescription drug insurer spending, and member cost-sharing for all prescription drugs on a per script basis are summarized in Table 6. CIC § 10123.193 limits member cost-sharing for prescription drugs.<sup>6</sup>

<sup>6</sup> CIC § 10123.193(f) (1) With respect to an individual or group policy of health insurance subject to Section 10112.28, the copayment, coinsurance, or any other form of cost sharing for a covered outpatient prescription drug for an individual prescription for a supply of up to 30 days shall not exceed two hundred fifty dollars (\$250), except as provided in paragraphs (2) and (3).

(2) With respect to products with actuarial value at or equivalent to the bronze level, cost sharing for a covered outpatient prescription drug for an individual prescription for a supply of up to 30 days shall not exceed five hundred dollars (\$500), except as provided in paragraph (3).

(3) For a policy of health insurance that is a “high deductible health plan” under the definition set forth in Section 223(c)(2) of Title 26 of the United States Code, paragraphs (1) and (2) of this subdivision applies only once an insured’s deductible has been satisfied for the year.

All Prescription Drugs	Generic (Per Script)	Brand Name (per Script)	Specialty (per Script)	Total (per Script)
Total Prescription Drug Spending	\$29.22	\$236.35	\$2,361.16	\$116.62
Member Cost Sharing	\$9.74	\$44.80	\$113.03	\$17.09
Insurer Prescription Drug Spending	\$19.48	\$191.55	\$2,248.12	\$99.53

Table 6

**The 25 Most Frequently Prescribed Drugs:** For all market segments combined for the 2017 experience year, information for the 25 most frequently prescribed prescription drugs is summarized in Tables 7, 8, 9 and 10:

25 Most Frequently Prescribed	Generic	Brand Name	Specialty	Total
Total Prescription Drug Spending (\$ million)	\$48.1	\$131.2	\$248.3	\$427.6
Insurer Prescription Drug Spending (\$ million)	\$19.9	\$76.3	\$234.0	\$330.2
Total Number of Prescriptions (thousand)	3,360	716	135	4,212

Table 7

All Drugs	25 Most Frequently Prescribed Drugs				All Other Prescribed Drugs	Total
	Generic	Brand Name	Specialty	Overall		
Total Percentage of Prescription Drugs	31.9%	6.8%	1.3%	39.9%	60.1%	100.0%
Total Annual Spending on Prescription Drugs	3.9%	10.7%	20.2%	34.8%	65.2%	100.0%
Impact on Total Health Insurance Premiums	0.3%	1.2%	3.7%	5.2%	11.3%	16.5%

Table 8

Tables 7 and 8 detail prescription drug cost by type and utilization. Prescription drug cost is before any rebates are subtracted from the cost. Separate rebate information for generic, brand name, and specialty drugs is not available.



25 Most Frequently Prescribed	Generic (PMPM)	Brand Name (PMPM)	Specialty (PMPM)	Total (PMPM)
Total Prescription Drug Spending)	\$3.72	\$10.15	\$19.20	\$33.07
Member Cost Sharing	\$2.18	\$4.24	\$1.10	\$7.53
Insurer Prescription Drug Spending	\$1.54	\$5.90	\$18.10	\$25.54

Table 9

25 Most Frequently Prescribed	Generic (Per Script)	Brand Name (per Script)	Specialty (per Script)	Total (per Script)
Total Prescription Drug Spending	\$14.33	\$183.18	\$1,838.84	\$101.54
Total Member Cost Sharing	\$8.39	\$76.60	\$105.63	\$23.11
Insurer Prescription Drug Spending	\$5.93	\$106.58	\$1,733.20	\$78.42

Table 10

Tables 9 and 10 show that member cost sharing constitutes approximately 23% of drug cost. The percentage is expected to be higher if rebate amounts are taken into consideration.

**The 25 Most Costly Drugs by Total Annual Spending:** For all market segments combined for the 2017 experience year, information for the 25 most costly drugs by total spending is summarized in Tables 11, 12, 13 and 14:

25 Most Costly	Generic	Brand Name	Specialty	Total
Total Prescription Drug Spending (\$ million)	\$80.4	\$152.7	\$327.9	\$561.0
Insurer Prescription Drug Spending (\$ million)	\$54.5	\$130.3	\$312.9	\$497.7
Total Number of Prescriptions (thousand)	2,131	580	97	2,808

Table 11

All Drugs	25 Most Costly Drugs				All Other Prescribed Drugs	Total
	Generic	Brand Name	Specialty	Overall		
Total Percentage of Prescription Drugs	20.2%	5.5%	0.9%	26.6%	73.4%	100.0%
Total Annual Spending on Prescription Drugs	6.5%	12.4%	26.7%	45.6%	54.4%	100.0%
Impact on Total Health Insurance Premiums	0.9%	2.1%	4.9%	7.8%	8.7%	16.5%

Table 12

For Tables 11 and 12, note that the prescription drug cost is before any rebates are subtracted from the cost. Separate rebate information for generic, brand name, and specialty drugs is not available.

25 Most Costly	Generic (PMPM)	Brand Name (PMPM)	Specialty (PMPM)	Total (PMPM)
Total Prescription Drug Spending	\$6.22	\$11.81	\$25.36	\$43.38
Total Member Cost Sharing	\$2.00	\$1.73	\$1.16	\$4.90
Insurer Prescription Drug Spending	\$4.22	\$10.08	\$24.20	\$38.49

Table 13

25 Most Costly	Generic (Per Script)	Brand Name (per Script)	Specialty (per Script)	Total (per Script)
Total Prescription Drug Spending	\$37.72	\$263.43	\$3,374.55	\$133.20
Total Member Cost Sharing	\$12.14	\$38.70	\$154.66	\$15.04
Insurer Prescription Drug Spending	\$25.58	\$224.74	\$3,219.89	\$118.16

Table 14

In Table 13, note that member cost sharing constitutes approximately 11% of drug cost. However, Tables 13 and 14 show that for costly drugs, members pay a smaller share, probably due to copay designs and limits on out-of-pocket maximum.

***The 25 Prescription Drugs with the highest 2017-over-2016 Increase in Total Annual Spending:*** For all market segments combined, information for the 25 drugs with the highest 2017-over-2016 increases is summarized in Table 15:

<b>25 with Highest Increase</b>	<b>Generic (\$ million)</b>	<b>Brand Name (\$ million)</b>	<b>Specialty (\$ million)</b>	<b>Total (\$ million)</b>
<b>2017 Total Annual Prescription Drug Spending</b>	\$45.1	\$102.3	\$235.0	\$382.4
<b>2016 Total Annual Insurer Prescription Drug Spending</b>	\$21.5	\$64.1	\$132.1	\$217.7

Table 15

*The names of the drugs with the highest increases are listed in Tables 22-24.*

## **II – Overview of the Filings**

### **Information received from the companies**

The findings presented here are based on CDI's review of data received from insurance companies. We have accepted the submitted data to be accurate without conducting an independent audit or verification of the accuracy of the submitted data. We have no reason to assume the data is not accurate, but we cannot guarantee the accuracy and integrity of the submitted data. As much as possible, we have verified the data to be internally consistent, and when we have found inconsistencies, we have requested and received appropriate corrections and explanations from the companies.

### **Background to the current filings**

This year is the first year insurance companies must report prescription drug data to the department pursuant to CIC § 10123.205. The department received filings from all insurers required to report prescription drug data.

### III – Summary of the Filings

The department received filings pursuant to CIC § 10123.205 from nine insurers. The filings include, for all market segments combined, the 25 most frequently prescribed drugs, the 25 most costly drugs by total annual prescription drug spending, and the 25 drugs with the highest year-over-year increase in total annual prescription drug spending in each of the three drug categories: generic, brand name and specialty. The tables below present this data aggregated across all insurers and do not reveal information specific to individual health insurers.

Insurance companies that submitted filings with the department:

<b>Company</b>
<b>Aetna Life Insurance Company</b>
<b>Anthem Blue Cross Life &amp; Health Insurance Company</b>
<b>Blue Shield of California Life &amp; Health Insurance Company</b>
<b>Cigna Health &amp; Life Insurance Company</b>
<b>Health Net Life Insurance Company</b>
<b>Kaiser Permanente Insurance Company</b>
<b>National Health Insurance Company</b>
<b>Nippon Life Insurance Company of America</b>
<b>UnitedHealthcare Insurance Company</b>

**The 25 Most Frequently Prescribed Drugs:** For all market segments combined, the following tables aggregate the 25 most frequently prescribed generic, brand name, and specialty drugs across all insurers.

*The 25 Most Frequently Prescribed Generic Drugs:*

Rank	Prescription Drug Name	Therapy Class
1	ATORVASTATIN CALCIUM	Cardiovascular Agents
2	LEVOTHYROXINE SODIUM	Hormonal Agents, Stimulant/Replacement/Modifying (Thyroid)
3	LISINOPRIL	Cardiovascular Agents
4	AMLODIPINE BESYLATE	Cardiovascular Agents
5	AZITHROMYCIN	Antibacterials
6	AMOXICILLIN	Antibacterials
7	LOSARTAN POTASSIUM	Cardiovascular Agents
8	OMEPRAZOLE	Gastrointestinal Agents
9	SIMVASTATIN	Cardiovascular Agents
10	ALPRAZOLAM	Anxiolytics
11	HYDROCHLOROTHIAZIDE	Cardiovascular Agents
12	METFORMIN HCL	Blood Glucose Regulators
13	SERTRALINE	Antidepressants
14	ESCITALOPRAM OXALATE	Antidepressants
15	ZOLPIDEM TARTRATE	Sleep Disorder Agents
16	MONTELUKAST SODIUM	Respiratory Tract/Pulmonary Agents
17	GABAPENTIN	Anticonvulsants
18	PREDNISONE	Anti-inflammatory Agents
19	AMOXICILLIN AND CLAVULANATE POTASSIUM	Antibacterials
20	METOPROLOL SUCCINATE	Cardiovascular Agents
21	METFORMIN HYDROCHLORIDE	Blood Glucose Regulators
22	FLUOXETINE HCL	Antidepressants
23	HYDROCODONE POLISTIREX AND CHLORPHENIRAMINE POLISTIREX PENNKINETIC	Analgesics
24	HYDROCODONE BITARTRATE AND ACETAMINOPHEN	Analgesics
25	HYDROCODONE/APAP	Analgesics

Table 16

*The 25 Most Frequently Prescribed Brand Name Drugs:*

Rank	Prescription Drug Name	Therapy Class
1	SYNTHROID	Hormonal Agents – Thyroid
2	PROAIR	Respiratory Tract Agents
3	VENTOLIN	Respiratory Tract Agents
4	VYVANSE	Central Nervous System Agents
5	LO LOESTRIN FE	Hormonal Agents, Stimulant/Replacement/Modifying (Sex Hormones/Modifiers)
6	NUVARING	Hormonal Agents – Sex Hormones/Modifiers
7	ONETOUCH REVOLUTION	Blood Glucose Regulators
8	ARMOUR THYROID	Hormonal Agents, Stimulant/Replacement/Modifying (Thyroid)
9	ADVAIR	Respiratory Tract Agents
10	ADDERALL	Central Nervous System Agents
11	CIALIS	Genitourinary Agents
12	HUMALOG	Blood Glucose Regulators
13	BYSTOLIC	Cardiovascular Agents
14	SYMBICORT	Respiratory Tract Agents
15	QVAR	Respiratory Tract Agents
16	XARELTO	Blood Products
17	DEXILANT	Gastrointestinal Agents
18	INVOKANA	Blood Glucose Regulators
19	JANUVIA	Blood Glucose Regulators
20	LANTUS SOLOSTAR	Blood Glucose Regulators
21	FLUALGIA	Immunological Agents
22	VIAGRA	Genitourinary Agents
23	CONCERTA	Central Nervous System Agents
24	LYRICA	Anticonvulsants
25	SUPREP BOWEL PREP	Gastrointestinal Agents

Table 17

*The 25 Most Frequently Prescribed Specialty Drugs:*

Rank	Prescription Drug Name	Therapy Class
1	TRUVADA	Antivirals
2	HUMIRA	Immunological Agents
3	HUMALOG	Blood Glucose Regulators
4	VICTOZA	Blood Glucose Regulators
5	ANDROGEL	Hormonal Agents – Sex Hormones/Modifiers
6	TRULICITY	Blood Glucose Regulators
7	LIALDA	Inflammatory Bowel Disease Agents
8	ENBREL	Immunological Agents
9	EPINEPHRINE	Cardiovascular Agents
10	SUPREP BOWEL PREP	Gastrointestinal Agents
11	LATUDA	Antipsychotics
12	NOVOLOG	Blood Glucose Regulators
13	GENVOYA	Antivirals
14	CIALIS	Genitourinary Agents
15	VIAGRA	Genitourinary Agents
16	VIREAD	Antivirals
17	STELARA	Immunological Agents
18	TRIUMEQ	Antivirals
19	ATRIPLA	Antivirals
20	DESCOVY	Antivirals
21	COPAXONE	Immunological Agents
22	RELPAX	Antimigraine Agents
23	TIVICAY	Antivirals
24	MESALAMINE	Inflammatory Bowel Disease Agents
25	FLUARIX QUADRIVALENT	Immunological Agents

Table 18



***The 25 Most Costly Drugs by Total Annual Prescription Drug Spending:*** For all market segments combined, the following tables aggregate the 25 most costly generic, brand name, and specialty drugs across all insurers.

*(see next page)*

*The 25 Most Costly Generic Drugs by Total Annual Prescription Drug Spending:*

Rank	Prescription Drug Name	Therapy Class
1	ARIPIPRAZOLE	Antipsychotics
2	ATORVASTATIN CALCIUM	Cardiovascular Agents
3	ROSUVASTATIN CALCIUM	Cardiovascular Agents
4	LEVOTHYROXINE SODIUM	Hormonal Agents, Stimulant/ Replacement/Modifying (Thyroid)
5	DEXTROAMPHETAMINE SULFATEEXTENDED-RELEASE	Central Nervous System Agents
6	CLOBETASOL PROPIONATE	Hormonal Agents, Stimulant/Replacement/Modifying (Adrenal)
7	METHYLPHENIDATE HYDROCHLORIDE	Central Nervous System Agents
8	DULOXETINE DELAYED-RELEASE	Antidepressants
9	ESTRADIOL	Hormonal Agents – Sex Hormones/Modifiers
10	METHYLPHENIDATE	Central Nervous System Agents
11	BUPROPION HYDROCHLORIDEXL	Antidepressants
12	EZETIMIBE	Cardiovascular Agents
13	METFORMIN HYDROCHLORIDE	Blood Glucose Regulators
14	DOXYCYCLINE HYCLATE	Antibacterials
15	MONTELUKAST SODIUM	Respiratory Tract/Pulmonary Agents
16	BUDESONIDE	Respiratory Tract Agents
17	OSELTAMIVIR PHOSPHATE	Antivirals
18	VALACYCLOVIR	Antivirals
19	ESCITALOPRAM OXALATE	Antidepressants
20	DEXTROAMPHETAMINE SACCHARATE, AMPHETAMINE ASPARTATE, DEXTROAMPHETAMINE SULFATE, AND AMPHETAMINE SULFATE [TABLET, XR]	Central Nervous System Agents
21	LIDOCAINE	Anesthetics
22	DEXTROAMPHETAMINE SACCHARATE, AMPHETAMINE ASPARTATE, DEXTROAMPHETAMINE SULFATE AND AMPHETAMINE SULFATE [CAPSULE]	Central Nervous System Agents
23	ESOMEPRAZOLE MAGNESIUM	Gastrointestinal Agents
24	HYDROXYCHLOROQUINE SULFATE	Antiparasitics
25	METOPROLOL SUCCINATE	Cardiovascular Agents

Table 19

*The 25 Most Costly Brand Name Drugs by Total Annual Prescription Drug Spending:*

Rank	Prescription Drug Name	Therapy Class
1	VYVANSE	Central Nervous System Agents
2	HUMALOG	Blood Glucose Regulators
3	ADVAIR	Respiratory Tract Agents
4	JANUVIA	Blood Glucose Regulators
5	INVOKANA	Blood Glucose Regulators
6	XARELTO	Blood Products
7	LYRICA	Anticonvulsants
8	ADDERALL	Central Nervous System Agents
9	NUVARING	Hormonal Agents – Sex Hormones/Modifiers
10	LO LOESTRIN FE	Hormonal Agents, Stimulant/Replacement/Modifying (Sex Hormones/Modifiers)
11	CIALIS	Genitourinary Agents
12	SYMBICORT	Respiratory Tract Agents
13	LANTUS SOLOSTAR	Blood Glucose Regulators
14	ELIQUIS	Blood Products
15	TRUVADA	Antivirals
16	DEXILANT	Gastrointestinal Agents
17	JARDIANCE	Blood Glucose Regulators
18	ONETOUCH REVOLUTION	Blood Glucose Regulators
19	QVAR	Respiratory Tract Agents
20	TRULICITY	Blood Glucose Regulators
21	LEVEMIR	Blood Glucose Regulators
22	CONCERTA	Central Nervous System Agents
23	PROAIR	Respiratory Tract Agents
24	JANUMET	Blood Glucose Regulators
25	SYNTHROID	Hormonal Agents – Thyroid

Table 20

*The 25 Most Costly Specialty Drugs by Total Annual Prescription Drug Spending:*

Rank	Prescription Drug Name	Therapy Class
1	HUMIRA	Immunological Agents
2	ENBREL	Immunological Agents
3	TRUVADA	Antivirals
4	STELARA	Immunological Agents
5	COPAXONE	Immunological Agents
6	HARVONI	Antivirals
7	TECFIDERA	Immunological Agents
8	REVLIMID	Antineoplastics
9	IBRANCE	Antineoplastics
10	GENVOYA	Antivirals
11	TRIUMEQ	Antivirals
12	HUMALOG	Blood Glucose Regulators
13	GILENYA	Immunological Agents
14	VICTOZA	Blood Glucose Regulators
15	ATRIPLA	Antivirals
16	EPCLUSA	Antivirals
17	COSENTYX	Immunological Agents
18	OTEZLA	Immunological Agents
19	XYREM	Sleep Disorder Agents
20	SPRYCEL	Antineoplastics
21	ANDROGEL	Hormonal Agents – Sex Hormones/Modifiers
22	LATUDA	Antipsychotics
23	SIMPONI	Immunological Agents
24	XOLAIR	Immunological Agents
25	LIALDA	Inflammatory Bowel Disease Agents

Table 21

***The 25 Drugs with the Highest 2017-over-2016 Increase in Total Annual Spending:*** For all market segments combined, the following tables aggregate the 25 generic, brand name, and specialty drugs with the highest year-over-year increase across all insurers.

***The 25 Generic Drugs with the Highest 2017-over-2016 Increase in Total Annual Prescription Drug Spending:***

Rank	Prescription Drug Name	Therapy Class
1	EZETIMIBE	Cardiovascular Agents
2	OSELTAMIVIR PHOSPHATE	Antivirals
3	YUVAFEM	Hormonal Agents – Sex Hormones/Modifiers
4	ATORVASTATIN CALCIUM	Cardiovascular Agents
5	ATOMOXETINE	Central Nervous System Agents
6	ROSUVASTATIN CALCIUM	Cardiovascular Agents
7	DEXTROAMPHETAMINE SULFATEEXTENDED-RELEASE	Central Nervous System Agents
8	OLMESARTAN MEDOXOMIL	Cardiovascular Agents
9	METHYLPHENIDATE HYDROCHLORIDE	Central Nervous System Agents
10	MESALAMINE	Inflammatory Bowel Disease Agents
11	BLISOVI 24 FE	Hormonal Agents, Stimulant/Replacement/Modifying (Sex Hormones/Modifiers)
12	ROSUVASTATIN	Cardiovascular Agents
13	ARIPIPRAZOLE	Antipsychotics
14	DESVENLAFAXINE	Antidepressants
15	MYORISAN	Dermatological Agents
16	DEXTROAMPHETAMINE SACCHARATE, AMPHETAMINE ASPARTATE, DEXTROAMPHETAMINE SULFATE, AND AMPHETAMINE SULFATE [TABLET, XR]	Central Nervous System Agents
17	DESVENLAFAXINE SUCCINATE	Antidepressants
18	LISINOPRIL	Cardiovascular Agents
19	OMEPRAZOLE	Gastrointestinal Agents
20	ESCITALOPRAM OXALATE	Antidepressants
21	EPINEPHRINE	Cardiovascular Agents
22	CLARAVIS	Dermatological Agents
23	AMLODIPINE BESYLATE	Cardiovascular Agents
24	SERTRALINE	Antidepressants
25	LEVOTHYROXINE SODIUM	Hormonal Agents, Stimulant/Replacement/Modifying (Thyroid)

Table 22

*The 25 Brand Name Drugs with the Highest 2017-over-2016 Increase in Total Annual Prescription Drug Spending:*

Rank	Prescription Drug Name	Therapy Class
1	VYVANSE	Central Nervous System Agents
2	JARDIANCE	Blood Glucose Regulators
3	HUMALOG	Blood Glucose Regulators
4	TRULICITY	Blood Glucose Regulators
5	ELIQUIS	Blood Products
6	TRINTELLIX	Antidepressants
7	XIIDRA	Ophthalmic Agents
8	LYRICA	Anticonvulsants
9	BASAGLAR	Blood Glucose Regulators
10	BREO ELLIPTA	Respiratory Tract/Pulmonary Agents
11	SYMBICORT	Respiratory Tract Agents
12	INVOKANA	Blood Glucose Regulators
13	ADVAIR	Respiratory Tract Agents
14	TRESIBA	Blood Glucose Regulators
15	CIALIS	Genitourinary Agents
16	LO LOESTRIN FE	Hormonal Agents, Stimulant/Replacement/Modifying (Sex Hormones/Modifiers)
17	XARELTO	Blood Products
18	ADDERALL	Central Nervous System Agents
19	JANUVIA	Blood Glucose Regulators
20	CONCERTA	Central Nervous System Agents
21	NUVARING	Hormonal Agents – Sex Hormones/Modifiers
22	QVAR	Respiratory Tract Agents
23	FARXIGA	Blood Glucose Regulators
24	VENTOLIN	Respiratory Tract Agents
25	TRADJENTA	Blood Glucose Regulators

Table 23

*The 25 Specialty Drugs with the Highest 2017-over-2016 Increase in Total Annual Prescription Drug Spending:*

Rank	Prescription Drug Name	Therapy Class
1	HUMIRA	Immunological Agents
2	STELARA	Immunological Agents
3	GENVOYA	Antivirals
4	TRUVADA	Antivirals
5	HUMALOG	Blood Glucose Regulators
6	EPCLUSA	Antivirals
7	ENBREL	Immunological Agents
8	DESCOVY	Antivirals
9	COSENTYX	Immunological Agents
10	ODEFSEY	Antivirals
11	REVLIMID	Antineoplastics
12	IBRANCE	Antineoplastics
13	TRULICITY	Blood Glucose Regulators
14	COPAXONE	Immunological Agents
15	POMALYST	Antineoplastics
16	SPRYCEL	Antineoplastics
17	TRIUMEQ	Antivirals
18	HUMATROPE	Hormonal Agents, Stimulant/Replacement/Modifying (Pituitary)
19	OTEZLA	Immunological Agents
20	VICTOZA	Blood Glucose Regulators
21	ELOCTATE	Blood Products/Modifiers/Volume Expanders
22	FIRAZYR	Bradykinin B2 Receptor Antagonists
23	TECFIDERA	Immunological Agents
24	IMATINIB MESYLATE	Antineoplastics
25	NUTROPIN AQ NUSPIN 20	Endocrine And Metabolic Agents - Misc.

Table 24

## IV – 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.](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/.](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/.](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.](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.legislature.ca.gov/faces/billTextClient.xhtml?bill\\_id=201720180SB17.](https://leginfo.legislature.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,



[https://www.pbmi.com/PBMI/Services/Drug\\_Benefit\\_Glossary/PBMI/Services/Drug\\_Benefit\\_Glossary.aspx?hkey=1051faba-063f-4ae3-a95b-70cd0476f1db.](https://www.pbmi.com/PBMI/Services/Drug_Benefit_Glossary/PBMI/Services/Drug_Benefit_Glossary.aspx?hkey=1051faba-063f-4ae3-a95b-70cd0476f1db.))

**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,

[https://www.pbmi.com/PBMI/Services/Drug\\_Benefit\\_Glossary/PBMI/Services/Drug\\_Benefit\\_Glossary.aspx?hkey=1051faba-063f-4ae3-a95b-70cd0476f1db.](https://www.pbmi.com/PBMI/Services/Drug_Benefit_Glossary/PBMI/Services/Drug_Benefit_Glossary.aspx?hkey=1051faba-063f-4ae3-a95b-70cd0476f1db.))

**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.

**Member Months:** The total number of lives, including dependents, insured on a pre-specified day of each month of the reporting period.

**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,

[https://www.pbmi.com/PBMI/Services/Drug\\_Benefit\\_Glossary/PBMI/Services/Drug\\_Benefit\\_Glossary.aspx?hkey=1051faba-063f-4ae3-a95b-70cd0476f1db.](https://www.pbmi.com/PBMI/Services/Drug_Benefit_Glossary/PBMI/Services/Drug_Benefit_Glossary.aspx?hkey=1051faba-063f-4ae3-a95b-70cd0476f1db.))

**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, [https://www.pbmi.com/PBMI/Services/Drug\\_Benefit\\_Glossary/PBMI/Services/Drug\\_Benefit\\_Glossary.aspx?hkey=1051faba-063f-4ae3-a95b-70cd0476f1db](https://www.pbmi.com/PBMI/Services/Drug_Benefit_Glossary/PBMI/Services/Drug_Benefit_Glossary.aspx?hkey=1051faba-063f-4ae3-a95b-70cd0476f1db).)

**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, [https://www.pbmi.com/PBMI/Services/Drug\\_Benefit\\_Glossary/PBMI/Services/Drug\\_Benefit\\_Glossary.aspx?hkey=1051faba-063f-4ae3-a95b-70cd0476f1db](https://www.pbmi.com/PBMI/Services/Drug_Benefit_Glossary/PBMI/Services/Drug_Benefit_Glossary.aspx?hkey=1051faba-063f-4ae3-a95b-70cd0476f1db).)

**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, [https://www.pbmi.com/PBMI/Services/Drug\\_Benefit\\_Glossary/PBMI/Services/Drug\\_Benefit\\_Glossary.aspx?hkey=1051faba-063f-4ae3-a95b-70cd0476f1db](https://www.pbmi.com/PBMI/Services/Drug_Benefit_Glossary/PBMI/Services/Drug_Benefit_Glossary.aspx?hkey=1051faba-063f-4ae3-a95b-70cd0476f1db).)

**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>.)

**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 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 2018, the threshold amount is \$670 for a one-month supply. (SB 17, <https://www.cms.gov/Medicare/Health-Plans/MedicareAdvtgSpecRateStats/Downloads/Announcement2018.pdf>.)