



Agenda Item 7

October 15, 2013

ITEM NAME: Prescription Drugs: Utilization and Cost Trends

PROGRAM: Health Benefits

ITEM TYPE: Information Only

EXECUTIVE SUMMARY

An analysis of claims data demonstrates that costs for prescription drugs continue to rise. Although generic dispensing rates have increased for all California Public Employees' Retirement System (CalPERS) plans, partly due to the Member Pays the Difference program implemented in 2012, specialty drug expenditures are increasing. CalPERS staff will continue to explore options for controlling expenditures on prescription drugs while maintaining member choice and healthcare quality.

STRATEGIC PLAN

This agenda item supports Goal A, Improve long-term pension and health benefit sustainability, by ensuring cost effective prescription drug utilization.

BACKGROUND

This report evaluates the prescription drug utilization and cost trends for CalPERS members enrolled in Anthem Blue Cross/CVS Caremark (Preferred Provider Organization, PPO); Blue Shield of California (Health Maintenance Organization, HMO); and Kaiser Permanente (HMO). Staff analyzed prescription drug utilization and cost data for Basic, Medicare, and association plan members in the CalPERS Health Care Decision Support System (HCDSS) and data from health plans.

ANALYSIS

Overall Prescription Drug Program Statistics

The CalPERS average allowed amount per prescription increased 10.3 percent and the number of prescriptions written increased 4.35 percent between 2009 and 2012.

From 2009 to 2012, generic dispensing rates increased from 75 percent to 89 percent for Kaiser, from 71 percent to 82 percent for Blue Shield of California, and from 61 percent to 76 percent for the PPO plan. In comparison, generic dispensing rates nationally ranged from 55 percent to 80 percent over the same time period.^{1,2,3,4}

The CalPERS member cost share for all prescriptions in 2012 was 13.1 percent, an increase from 12.5 percent in 2009. The CalPERS member cost share for specialty drug in 2012 was 0.87 percent, a decrease from 0.92 percent in 2009. In contrast,

the 2011 national average member cost share for all prescriptions for large employers was 23 percent.⁵ The 2011 national average member cost share for specialty drug was 15.3 percent.⁵

Member Pays the Difference Program Savings

The Member Pays the Difference program was implemented in January 2012 for members in the Anthem Blue Cross/CVS Caremark and Blue Shield of California plans. The program resulted in an estimated savings to CalPERS of \$6.7 million for 2012. Of the savings, 79 percent resulted from the lower cost of the generic drugs, while 21 percent resulted from increased cost sharing by members.

Specialty Drug Statistics

Specialty drug cost trends from 2009 to 2012 demonstrated a steady increase from \$146 million to \$254 million. Although the number of specialty drug prescription represented only 0.49 percent of all prescriptions, specialty drug allowed amount accounted for 17.3 percent of total CalPERS drug costs. In comparison, national specialty drug expenditures constituted approximately 20 percent to 30 percent of prescription drug costs of health plans overall in the same time period.^{6, 7, 8} Specialty drug costs are expected to reach 50 percent of total drug costs by 2018.^{6,7}

BUDGET AND FISCAL IMPACTS

Not Applicable.

ATTACHMENTS

Attachment 1 – Prescription Drug Utilization and Cost Trends

KATHLEEN DONNISON, Chief
Health Plan Administration Division

ANN BOYNTON
Deputy Executive Officer
Benefit Programs Policy and Planning

References

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