



Agenda Item 7

October 14, 2014

ITEM NAME: Prescription Drugs: Utilization and Cost Trends

PROGRAM: Health Benefits

ITEM TYPE: Information

EXECUTIVE SUMMARY

An analysis of claims data demonstrates that costs for prescription drugs continue to rise. The 2013 total prescription drug costs for all California Public Employees' Retirement System (CalPERS) health plans were \$1.5 billion. Specialty drugs accounted for 0.57 percent of the total prescriptions but 19.9 percent of the total drug costs. 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 all CalPERS health plans. Staff analyzed 2009 – 2013 prescription drug utilization and cost data for Basic, Medicare, and association plan members in the CalPERS Health Care Decision Support System (HCDSS).

ANALYSIS

Overall Prescription Drug Program Statistics

In 2013, 16.46 million prescriptions were filled for CalPERS members, with an average allowed amount per prescription of \$90.78, an annual change of 1.86 percent and -0.57 percent compared with 2012, respectively.

In 2013, the number of days supply was 724 million and the allowed amount per day supply was \$2.06 with an annual change of -1.47 percent and 2.78 percent compared with 2012, respectively.

From 2009 to 2013, generic dispensing rates increased from 75 percent to 83 percent for Kaiser, from 71 percent to 83 percent for Blue Shield of California, and from 61 percent to 76 percent for the Preferred Provider Organization plan. In comparison, generic dispensing rates nationally ranged from 60 percent to 80 percent over a similar time period.^{1,2,3,4}

The CalPERS member cost share for all prescriptions in 2013 was 11.2 percent. In contrast, the 2012 national average member cost share for all prescriptions for large employers was 23.5 percent.⁵

Specialty Drug Statistics

While there is no industry standard definition for specialty drugs, drugs with serious adverse effects and high cost drugs used to treat complex diseases, such as multiple sclerosis, rheumatoid arthritis, hepatitis C and cancer, are typically included in this category.

Specialty drug costs from 2009 to 2013 demonstrated a steady increase from \$146 million to \$298 million. Although specialty drug prescriptions represented only 0.57 percent of all prescriptions, specialty drug allowed amounts accounted for 19.9 percent of total CalPERS drug costs in 2013. In comparison, national specialty drug expenditures constituted approximately 10 percent to 25 percent of prescription drug costs from 2011 through 2013.^{6,7}

In 2013, the CalPERS member cost share for specialty drugs was 0.92 percent. The 2012 national average member cost share for specialty drugs was 12.7 percent.⁵

BUDGET AND FISCAL IMPACTS

Not Applicable.

BENEFITS/RISKS

This analysis shows only the specialty drugs under the prescription drug benefit. It is estimated that about half of specialty drug spend actually occurs under the medical benefit, where it can be more difficult to track and manage. Overall, specialty drug costs are expected to reach 50 percent of total drug costs by 2018.⁸

ATTACHMENTS

Attachment 1 – Prescription Drug Utilization and Cost Trends, 2009 – 2013

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References

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