



## Agenda Item 9

December 15, 2015

**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 2014 total prescription drug costs for all California Public Employees' Retirement System (CalPERS) plans were \$1.8 billion. Specialty drugs accounted for 23.6 percent (\$438 million) of the total prescription 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 prescription drug utilization and cost data for Basic, Medicare, and association plan members in the CalPERS Health Care Decision Support System (HCDSS). All CalPERS HCDSS data were transferred to a new data warehouse in 2014. The current and previous data warehouse vendors apply different methodologies of aggregating, grouping, and calculating data. Therefore, data in this report may be different from previously reported.

### **ANALYSIS**

#### Overall Prescription Drug Program Statistics

In 2014, the CalPERS average allowed amount per prescription was \$94.38 and the number of prescriptions written was 19.67 million. The allowed amount per day's supply was \$1.98 and the number of days supply was 937 million.

The CalPERS member cost share for all prescriptions in 2014 was 10.2 percent. Member cost share for generics was 18.4 percent, non-specialty multi-source brand was 10.2 percent, non-specialty single-source brand was 9.7 percent and specialty was 0.9 percent. In contrast, the 2013 national average member cost share for all prescriptions for large employers was 22.1 percent.<sup>1</sup> The 2013 national average member cost share for specialty drugs was 11.4 percent.<sup>1</sup>

### Specialty Drug Statistics

Specialty drug cost trends from 2012 to 2014 demonstrated a sharp increase from \$270 million to \$438 million. Although specialty drug prescriptions represented only 0.76 percent of all prescriptions, specialty drug allowed amounts accounted for 23.6 percent of total CalPERS drug costs. In comparison, specialty drug expenditures accounted for approximately 30 percent of total prescription drug costs in 2014.<sup>2,3</sup>

### **BUDGET AND FISCAL IMPACTS**

Not Applicable.

### **BENEFITS/RISKS**

Prescription drug costs continued to increase rapidly. The reasons for the rapid increase include lack of price control in the United States, limited competition, high cost generics, and a continued "pipeline" of new drugs coming to market. The use of generics, biosimilars, and evidence based pharmacy benefit management strategies are critical to staying ahead of the rapidly increasing prescription drug costs.

### **ATTACHMENTS**

Attachment 1 – Prescription Drug Utilization and Cost Trends

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### References

1. Bruhnsen, K., Fein, A., Gleason, P., Grossomanides, J., and Zikowski, C. (2014). 2014-2015 Prescription Drug Benefit Cost and Plan Design Report. Pharmacy Benefit Management Institute.
2. Express Scripts. 2012 Drug Trend Report. 2012. Available at: <http://www.drugtrendreport.com/commercial/total-trend>. Accessed November 23, 2015.
3. Pharmacy Benefit Management Institute. 2015 Specialty Drug Benefit Report. 2015.