

Prescription Drug Rebates – Affordability Dashboard Methodology

Spring 2023

Overview

Beginning in September 2019, health insurance payers in Colorado were required to begin submitting annual prescription drug rebate information to the Center for Improving Value in Health Care (CIVHC), administrator of the Colorado All Payer Claims Database (CO APCD).¹ This document outlines the methodology for the drug rebate report and associated resources that are part of the Affordability Dashboard available at civhc.org. The data available in the report reflects the most recent data submitted by payers in 2022 which includes a three-year look back period from 2019-2021.

CIVHC modeled initial data submission requirements and instructions after a program administered by the Center for Health Information and Analysis (CHIA) in Massachusetts², and communicated these requirements to payers through calls, individual payer meetings, e-mails and the [Prescription Drug Rebate Data Submission Manual](#).

CIVHC receives drug rebate files for all commercial payers, Medicaid, Medicare Fee-for-Service (through commercial health insurance payers who administer Part D), and Medicare Advantage.

Definitions and Methods

Payer-submitted files of prescription drug rebate data includes the following information (refer to the manual above for details):

- **Insurance product type** (e.g., used to classify members and prescription drug spending into payer type: Commercial, Medicaid, Medicare Advantage and Medicare FFS)
- **Member count and member months** with prescription drug coverage
- **Prescription drug spending excluding rebates.** Spending includes all payments made to pharmacies for prescription drugs, biological products, or vaccines as defined by the payer's prescription drug benefit, including member cost-sharing (e.g. co-pays, deductibles, co-insurance, etc.).
 - Total
 - By type of drug – generic, brand non-specialty, and brand specialty
- **Prescription drug rebate amounts.** Includes prescription drug rebates, compensation, remuneration, and any other price concessions provided by pharmaceutical manufacturers and conferred to the payer regardless of whether paid as regular aggregate amounts, on a claim-by-claim basis at the point-of-sale, as part of retrospective financial reconciliations, or by any other method.

Compensation includes discounts, fees, and educational grants offered to payers in exchange for data that manufacturers can use for marketing and related purposes, market share incentives,

¹ In accordance with the Code of Colorado Regulation 10 CCR 2505-5, [Data Submission Guide \(DSG\) v11](#) (October 2018) was the first to require payers to submit drug rebate data. Updates to the drug rebate requirements were executed in an April 2020 rule change hearing and available in [DSG v11.5](#).

² Center for Health Information and Analysis. Performance of the Massachusetts Health Care System Annual Report 2018. =

commissions and manufacturer administrative fees.

This amount includes the total amount of prescription drug rebates and compensation provided by pharmaceutical manufacturers, regardless of whether it is given to the payer directly by the manufacturer, a PBM, or any other entity.

- Total
- By type of drug – generic, brand non-specialty, and brand specialty

Drug rebate files submitted were based on data from the payer's pharmacy benefit manager (PBM), which included drug rebates and other compensations paid by manufacturers to the PBM. Of the commercial payers who use a PBM, payers reported to CIVHC that 99% of total rebate dollars were passed through to the payer from the PBM.

Total Pharmacy Spending and Percent Volume and Spend by Drug Type Data

Pharmacy spending in the report only represents prescriptions filled through a pharmacy or pharmacy service and does NOT include physician-administered drugs in a hospital or outpatient setting.

Per Person Per Year (PPPY) information in the report represents the total pharmacy spend that unique members incur per year by payer type. To calculate PPPY, CIVHC uses the following formula: Total Pharmacy Spending/(Total Member Months*12).

Note: Medicaid PPPY spending *does not* include payments made by Medicaid Managed Care Organizations or Regional Accountable Entities to avoid possible member double counting.

Statistical calculations, illustrated below, are presented throughout the report:

Measure	Numerator	Denominator	Calculation
% Rebate of Total Spending	Rebate amount for all prescription drug claims (B)	Total spend for all prescription drug claims (A)	Percent rebate of total spending by drug type (B/A)
Prescription Drug Volume	Claim count for all prescription drug claims by drug type (D)	Claim count for all prescription drug claims (C)	Percent volume (by drug type) of total claim count for all prescription drug claims (D/C)
Prescription Spending	Total spend for all prescription drug claims by drug type (F)	Total spend for all prescription drug claims (E)	Percent spending (by drug type) of total spend for all prescription drug claims (F/E)
Payer Type: % Rebate of Total Spending	Rebate amount for all prescription drug claims by payer type (H)	Total spend for all prescription drug claims by payer type (G)	Percent rebate of total spending by payer type (H/G)

Data Submission Caveats

CIVHC validates payer-submitted drug rebate files by comparing member, member month and total prescription drug spending with those derived from CO APCD prescription drug data (submitted by payers on a

monthly basis to the CO APCD). Any discrepancies identified were communicated to payers, which in many cases resulted in payers revising their initial submission.

Additional caveats to consider when reviewing the CO APCD drug rebate data:

- It is also important to note that rebates take time to be processed and received by payers. As such, 2021 data submitted to CIVHC in September of 2022 may not reflect all rebates that payers will receive for 2021.
- The definition of rebates is inclusive of all compensation from manufacturers to payers, not solely rebates.
- One small payer was excluded from this report due to data quality concerns.
- The covid-19 pandemic caused an increase in drug spending in general. The pandemic also caused a rise in brand specialty and specialty spending due to the lack of availability of some generic drugs.

For additional questions, please contact us at info@civhc.org.