



CENTER FOR IMPROVING  
VALUE IN HEALTH CARE

# DRUG REBATES IN COLORADO

## METHODOLOGY, August 2021

### BACKGROUND

Beginning in September 2019, health insurance payers in Colorado were required to submit prescription drug rebate information to the Center for Improving Value in Health Care (CIVHC), administrator of the Colorado All Payer Claims Database (CO APCD) on an annual basis.<sup>1</sup> The first submissions included rebate data for three years: 2016, 2017 and 2018. In September 2020, payers submitted new files for 2017, 2018 and 2019. The public interactive report and associated resources available at [civhc.org](http://civhc.org) reflect the most recent data submitted in 2020 which includes 2017-2019.

CIVHC modeled data submission requirements and instructions after a program administered by the Center for Health Information and Analysis (CHIA) in Massachusetts<sup>2</sup>, 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.

Payer-submitted files of prescription drug rebate data included 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 – specialty, non-specialty brand and non-specialty generic
- **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,

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<sup>1</sup> In accordance with the Code of Colorado Regulation 10 CCR 2505-5, [Data Submission Guide \(DSG\) v1.1](#) (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 v1.1.5](#).

<sup>2</sup> Center for Health Information and Analysis. Performance of the Massachusetts Health Care System Annual Report 2018. <https://www.mass.gov/doc/chia-annual-report-september-2018/download> Accessed March 6, 2019.

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 – specialty, non-specialty brand and non-specialty generic

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 as a percent of all health care spending in the issue brief was calculated using 2019 claims submitted to the Colorado All Payer Claims Database. The denominator does not include information not available on claims such as premiums paid by employers and individuals. 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.

In addition, the interactive report and accompanying materials also include data on the percent volume and spend for drug by type (brand, specialty and generic). Volume of claims by drug category was not included in the drug rebate file submissions in 2020. As a result, percent total volume and percent total spending was calculated based on monthly pharmacy claims submitted by payers to the CO APCD in 2019. To determine the classification of individual drugs submitted to the CO APCD, CIVHC uses a combination of the American Hospital Formulary Service (AHFS) Pharmacologic-Therapeutic Classification for brand and generic drugs, and Magellan RX Management’s classification for specialty drugs. As a result, the percent volume and spend data may differ from other published information that uses different drug type definitions and/or data sources. All other drug spending and rebate information in the analysis was calculated using the drug rebate file submissions.

Per Member Per Year (PMPY) information in the report represents the total pharmacy spend that unique members incur per year by payer type. To calculate PMPY, CIVHC uses the following formula: Total Pharmacy Spending/(Total Member Months/12). Note that Medicaid PMPY spending does not include payments made by Medicaid Managed Care Organizations or Regional Accountable Entities to avoid possible member double counting.

### **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). Discrepancies were communicated to payers, which in many cases resulted in payers revising their submission.

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

- One large payer did not have the capability to report rebates and spending at the level of granularity required for the different drug categories. To address this issue, CIVHC removed this payer's data from the report.
- It is also important to note that rebates take time to be processed and received by payers. As such, 2019 data submitted to CIVHC in September of 2020 may not reflect all rebates that payers will receive for 2019.
- The definition of rebates is inclusive of all compensation from manufacturers to payers, not solely rebates.

For additional questions, please contact us at [info@civhc.org](mailto:info@civhc.org).