What is a Prescription Drug Rebate and why are they important?

Prescription drug spending is a leading contributor to overall health care costs across the United States. Drug rebates have been offered as a solution.

At a high level, drug rebates are provided by manufacturers to health insurance payers and Pharmacy Benefit Managers (PBMs) as an incentive to cover certain drugs under their health plans. The ultimate goal is to help lower overall health care costs. While that is true for Medicaid, some argue it does not lower costs for Medicare Part D patients, and commercial payers are not required to start sharing rebates with employers and members until January 2024.

Drug Spending is Increasing Even With Rebates

Across all payers, prescription drug spending rose roughly 25% with and without factoring in drug rebates received by payers.

Specialty Drugs Account for the Majority of Drug Spending

Commercial Payers, 2021

Specialty drugs accounted for almost half of total prescription drug spending among commercial payers in 2021, but represented just 1% of total volume.

Costs for specialty and brand drugs continue to rise year over year.

Commercial Payers, 2019–2021

There are increases in both specialty and brand drug costs over this period.

For more information and to view our full Prescription Drug Rebate Analysis, visit us at www.civhc.org.