Prescription Drug Rebates Methodology

Spring 2025

CIVHC
CENTER FOR IMPROVING VALUE IN HEALTH CARE

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 available at civhc.org. The data available in the report reflects the most recent data submitted by payers in 2024 which includes a three-year look back period from 2021-2023.

CIVHC modeled initial data submission requirements and instructions after a program administered by the Center for Health Information and Analysis (CHIA) in Massachusetts[2], 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.

Rebates take time to be processed and received by payers. As a result, the 2023 data submitted to CIVHC in September 2024 may not include all the rebates that payers will ultimately receive for 2023.

Definitions and Methods

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

- **Drug type (i.e. generic, brand, and specialty)** is categorized by the payer for their submissions according to their internal definitions. Not all payers define drugs in a similar manner.
- **Insurance product type** is used to classify members and prescription drug spending into payer Type (Commercial, Medicaid, Medicare Advantage and Medicare FFS).
- **Prescription drug spending excluding rebates** is spending that includes all payments made (total allowed amounts which include patient AND payer payments) 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 – non-specialty generic, non-specialty brand, and specialty
- **Prescription drug volume** is the distinct count of all incurred claims for prescription drugs,

[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

biological products, or vaccines as defined by the payer's prescription drug benefit in a given calendar year. This includes all incurred claims for individuals included in the member population regardless of where the prescription drugs are dispensed (i.e., includes claims from in-state and out-of-state providers).

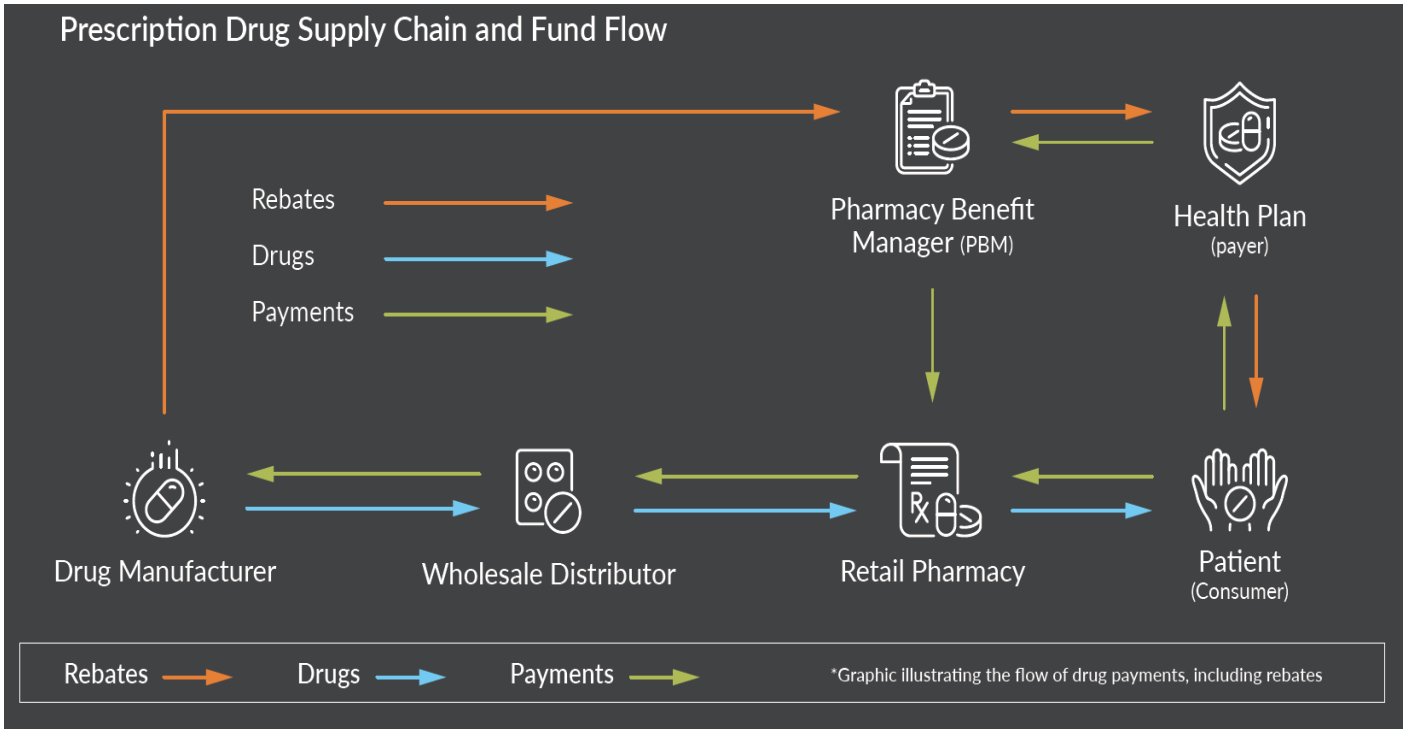
    - By type of drug – non-specialty generic, non-specialty brand, and specialty

- **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, 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.

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. According to the 2024 file submissions, the percent of total rebate dollars that payers received from their PBMs was a little over 92% across all payers, although the actual percentage did vary by payer.



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.

Calculations below are presented throughout the report:

Measure	Calculation
% Rebate of Total Rx Spending	**Numerator:** Rebate total for all prescription drugs **Denominator:** Total spend for all prescription drugs
Percent Drug Type Volume (compared to all drugs)	**Numerator:** Claim count for all prescription drug claims by drug type **Denominator:** Claim count for all prescription drugs
Percent Drug Type Spending (compared to all drugs)	**Numerator:** Total spend for all prescription drug claims by drug type **Denominator:** Total spend for all prescription drugs

Data Submission Caveats

CIVHC validates payer-submitted drug rebate files by comparing total prescription drug spending with totals calculated from CO APCD prescription drug data (submitted by payers on a monthly basis to the CO APCD). Any discrepancies identified were communicated to payers, and when necessary, payers revised their initial submission.

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

- The COVID-19 pandemic caused an increase in drug spending in both 2021 and 2022. The pandemic also caused a rise in brand and specialty drug spending due to the lack of availability of some generic drugs and the administration of COVID-19 vaccines.
- Four payers left the market and did not submit a 2024 drug rebate file.
- Medicaid spending does not include payments made by Medicaid Managed Care Organizations (MCOs) or Regional Accountable Entities (RAEs) to prevent potential double counting.
- A major payer revised its submitted data to include purchase-based rebates, leading to an overall increase in reported rebates for generic drugs.
- In 2024, five Pharmacy Benefit Managers (PBMs) submitted drug rebate data alongside payers. Since CIVHC is currently unable to identify duplicate claims between PBMs and payer submissions, the reported total pharmacy spending and rebate amounts may be inflated.

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