



Prescription Drug Spending Growth Remains High, Even After Adjusting for Impact of Drug Rebates

Why Look at Drug Rebates When Assessing Prescription Drug Spending?

- Calculations of prescription drug spending growth often do not include drug rebate impact.
- Pharmaceutical manufacturers typically do not disclose drug rebates to the public because they consider this information proprietary.
- Pharmaceutical manufacturers often claim that reported prescription drug spending growth is misrepresented because rebates are not considered.
- OHIC analyzed prescription drug spending growth, after adjusting for rebates.

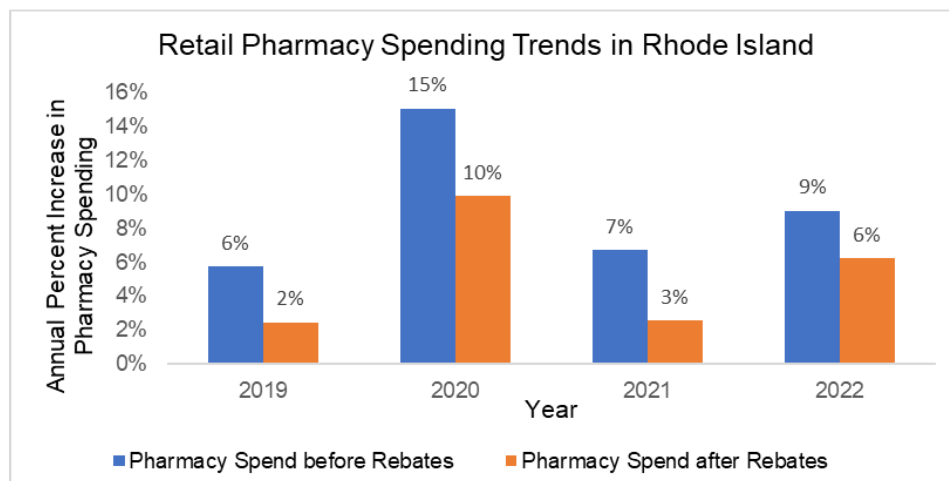
What Are Drug Rebates?

Drug rebates are discounts that drug manufacturers give to third-party entities such as health insurers and pharmacy benefit managers on the cost of prescription drugs.

Drug rebates do not impact drug costs for patients at the point of sale.

Prescription Drug Spending Growth in Rhode Island

- Between 2018 and 2022, the average annual rate of growth in prescription drug spending *before rebates* was 9.1% in Rhode Island.
- After drug rebates, **the average annual rate of growth was 5.3%**.
- Part of these increasing costs are paid by insurers (from premium revenues) and part is paid directly by consumers out-of-pocket in the form of deductibles and co-pays.

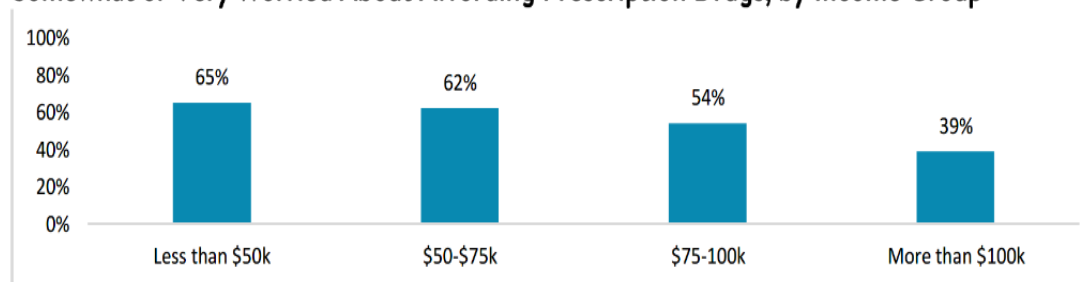


Why Does This Matter?

- Drug rebates are not transparent. Consequently, consumers have little insight into the true cost of drugs.
- Even after adjusting for rebates, average annual spending growth was over 5%. This rate of increase can be very difficult for lower income Rhode Islanders.
- According to a 2024 survey, more than half (53%) of Rhode Islanders are somewhat or very worried about affording the cost of prescription drugs.¹
- Facing rising drug prices, Rhode Islanders overwhelmingly support strategies to limit the prices that drug manufacturers can impose on drugs.¹

Figure 1

Somewhat or Very Worried About Affording Prescription Drugs, by Income Group



2024 Poll of Rhode Island Adults, Ages 18+, Altarum Healthcare Value Hub's Consumer Healthcare Experience State Survey

2023 Data Now Available in the OHIC Data Hub

The Rhode Island Office of the Health Insurance Commissioner has refreshed its interactive dashboards with 2023 data from the state's All-Payer Claims Database ([HealthFacts RI](#)). These tools are available on the [OHIC Data Hub](#). Additionally, OHIC is currently collecting and analyzing data for the 2022-2023 cost growth target data collection cycle. OHIC will report on its findings in spring 2025.

1. <https://www.healthcarevaluehub.org/advocate-resources/publications/rhode-island-survey-respondents-worried-about-high-drug-costs-support-range-government-solutions>

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STATE OF RHODE ISLAND

Office of The Health Insurance Commissioner

Department of Business Regulation

The Rhode Island Office of the Health Insurance Commissioner (OHIC) was established through legislation in 2004 to broaden the accountability of health insurers operating in Rhode Island. The Office is dedicated to: protecting consumers, encouraging fair treatment of medical service providers, ensuring solvency of health insurers, and improving the health care system's quality, accessibility, and affordability.