

# Public Meeting on Health Care Premium Rates and Prescription Drug Cost Transparency

March 11, 2026

# Welcome and Introductions

**Amanda Levy, Deputy Director, Health Policy and Stakeholder Relations**

# Agenda

1. **Welcome and Introductions**
2. **Opening Remarks**
3. **DMHC Summary of Health Care Premium Rates and Prescription Drug Costs**
4. **California Department of Insurance Health Insurance Rates & Prescription Drug Costs**
5. **Office of Health Care Affordability Perspective**
6. **Public Comment**
7. **Closing Remarks**

# Opening Remarks

Mary Watanabe, Director

# DMHC Mission Statement

The mission of the Department of Managed Health Care (DMHC) is to ensure health plan members have access to equitable, high-quality, timely, and affordable health care within a stable health care delivery system.

# 2024 Accomplishments



**3.1 MILLION**  
**HEALTH PLAN MEMBERS ASSISTED**

The DMHC Help Center protects health plan member rights, resolves member complaints, and helps members navigate and understand their coverage ensuring access to health care services.



**\$296.1 MILLION**

dollars saved on Health Plan Premiums through the Rate Review Program since 2011



**\$62.2 MILLION**

dollars recovered from health plans on behalf of health plan members



**30.2 MILLION**

Californians' health care rights are protected by the DMHC

**140**

LICENSED  
HEALTH PLANS



**98** FULL SERVICE



**42** SPECIALIZED



**\$227.1 MILLION**

dollars in payments recovered to physicians and hospitals

**97%**

of state-regulated commercial and public health plan enrollment is regulated by the DMHC



**\$198.4 MILLION**

dollars assessed against health plans that violated the law



Approximately  
**73%**

of health plan member appeals (IMRs) to the DMHC resulted in the health plan member receiving the requested service or treatment from their health plan

December 31, 2024

# What is the DMHC?

## Regulator of full service and specialized health plans

- All HMO and some PPO/EPO products
- Some large group and most small group and individual products
- Most Medi-Cal Managed Care plans
- Dental, vision, behavioral health, chiropractic and prescription drug plans
- Medicare Advantage (for financial solvency only)

# DMHC Key Functions

- Consumer Protection / DMHC Help Center
- License Health Plans & Ensure Compliance with State laws
- Medical Surveys of Health Plan Operations
- Financial Exams to Ensure Financial Stability
- Review Proposed Premium Rate Changes
- Take Enforcement Action Against Plans that Violate the Law

# DMHC Summary of Health Care Premium Rates and Prescription Drug Costs

**Michelle Yamanaka**

**Deputy Director, Office of Financial Review**

**Brian Stentz**

**Vice President & Principal, Lewis & Ellis**

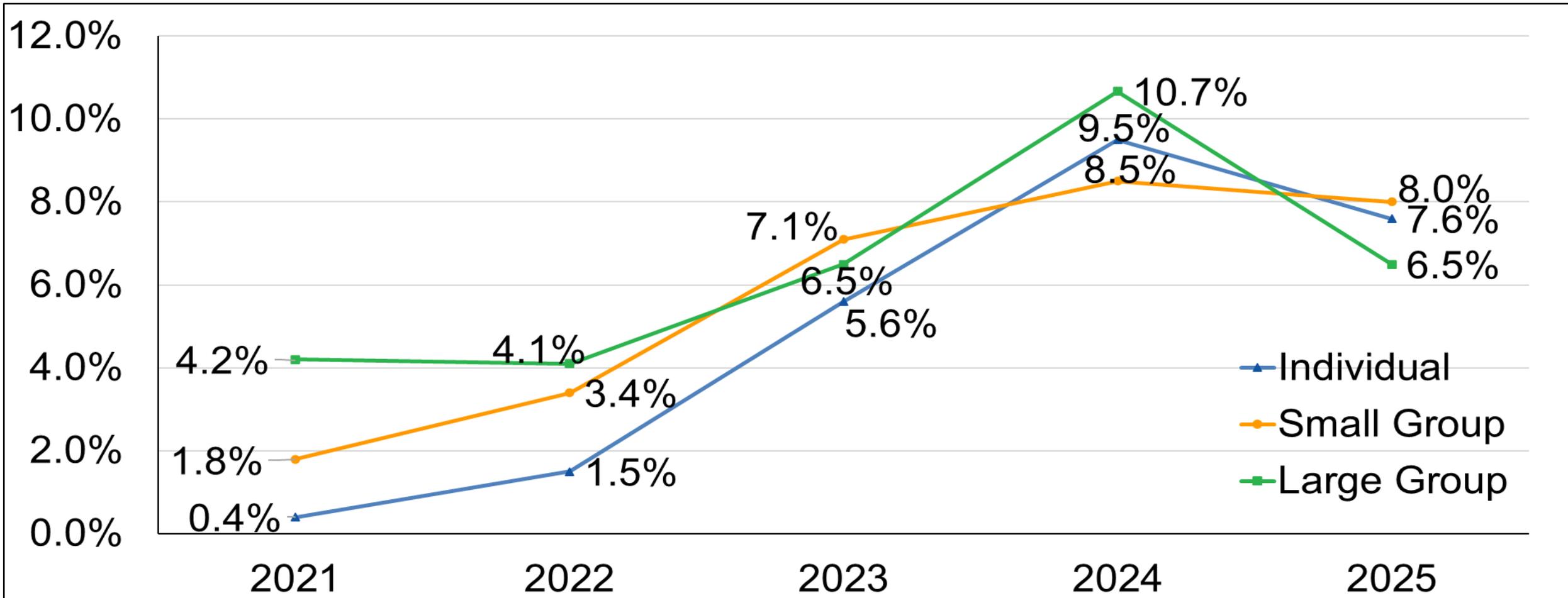
# Market Types

- **Individual**
  - Coverage offered to individuals and families
- **Small Group**
  - Employers with 1-100 employees
- **Large Group**
  - Employers with more than 100 employees

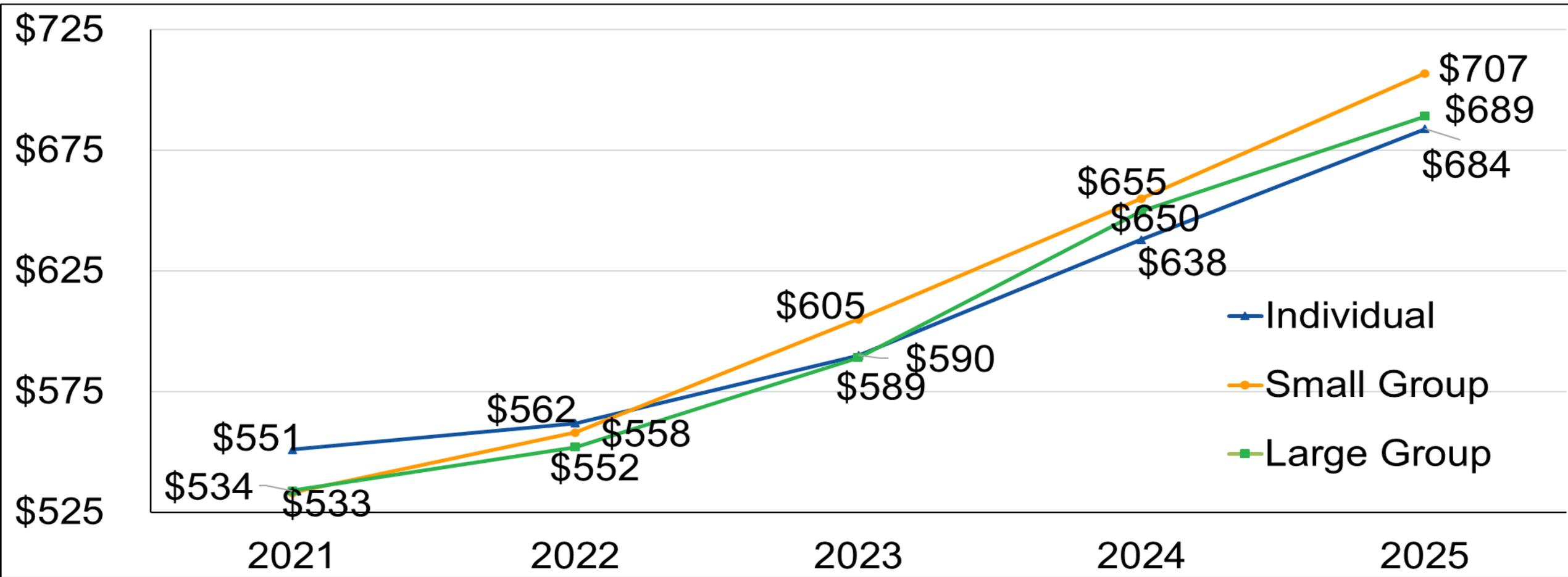
# Summary of the 2025 Annual Rate Filings

- The majority of members in the commercial market are covered by employer sponsored plans in the large group market.
- Approximately 7.5 million members were in the large group market, compared to 2.6 million members in the individual market and 2.2 million members in the small group market.
- Average premium per member per month increased by over \$150 from 2021 to 2025.
- Average premium per member per month was \$684 in the individual market, \$707 in the small group market and \$689 in the large group market.
- Weighted average rate increase was 7.6% for the individual market, 8.0% for the small group market and 6.5% for the large group market. In comparison, Covered California had an average rate increase of 7.9%, and CalPERS had an average rate increase of 9.0% in 2025.

# Weighted Average Rate Increase 2021 – 2025



# Average Monthly Premium 2021 – 2025



# Individual Market Aggregate Premium Rates

# Summary of the 2025 Individual Market Filings

- 13 Health Care Service Plans were required to file.
- Approximately 2.6 million members in the individual market.
- Weighted average rate increased by 7.6%.
- Average premium PMPM across all health plans was \$684.
- Most members in the individual market selected a silver plan.
- Average actuarial value ~ 78%.

# Average Rate Increase – Individual Market

Plan Type	Number of Members	Weighted Average Rate Increase	Average Premium PMPM
On-Exchange (Covered California)	2,135,852	7.7%	\$677.81
Off-Exchange	398,407	7.4%	\$707.41
Grandfathered	31,439	4.8%	\$815.06
<b>Total</b>	<b>2,565,698</b>	<b>7.6%</b>	<b>\$684.09</b>

# Small Group Market Aggregate Premium Rates

# Summary of the 2025 Small Group Filings

- 13 Health Care Service Plans were required to file.
- Approximately 2.2 million members in the small group market.
- Weighted average rate increased by 8.0%.
- Average premium PMPM across all health plans was \$707.
- Gold plans were the most common metal tier plan selected among small group members.
- Average actuarial value ~ 79%.

# Average Rate Increase – Small Group Market

Plan Type	Number of Members	Weighted Average Rate Increase	Average Premium PMPM
On-Exchange	82,759	6.9%	\$686.69
Off-Exchange	1,962,576	8.2%	\$710.83
Grandfathered	129,208	6.8%	\$659.73
<b>Total</b>	<b>2,174,543</b>	<b>8.0%</b>	<b>\$706.87</b>

# Large Group Aggregate Premium Rates

# Summary of the 2025 Large Group Filings

- 22 Health Care Service Plans were required to file.
- Approximately 7.5 million members in the large group market.
- Weighted average rate increased by 6.5%.
- Average premium PMPM across all health plans was \$689.
- Most members were in HMO products
- Average actuarial value ~ 92%.

# Rate Increases for Covered California, CalPERS and Large Group Plans

Year	Covered California	CalPERS	Large Group Plans
2021	0.5%	5.3%	4.2%
2022	1.8%	5.5%	4.1%
2023	5.6%	7.0%	6.5%
2024	9.6%	10.9%	10.7%
2025	7.9%	9.0%	6.5%
2026	10.3%	8.4%	Not Available

# Average Rate Increase in 2025

	Average Rate Increase	Number of Members	Average Premium PMPM
All Plans	6.5%	7,489,664	\$688.58
Kaiser	6.1%	4,993,960	\$677.49
All Plans Excluding Kaiser	7.2%	2,495,704	\$710.76

# Large Group Contractholder Review Request

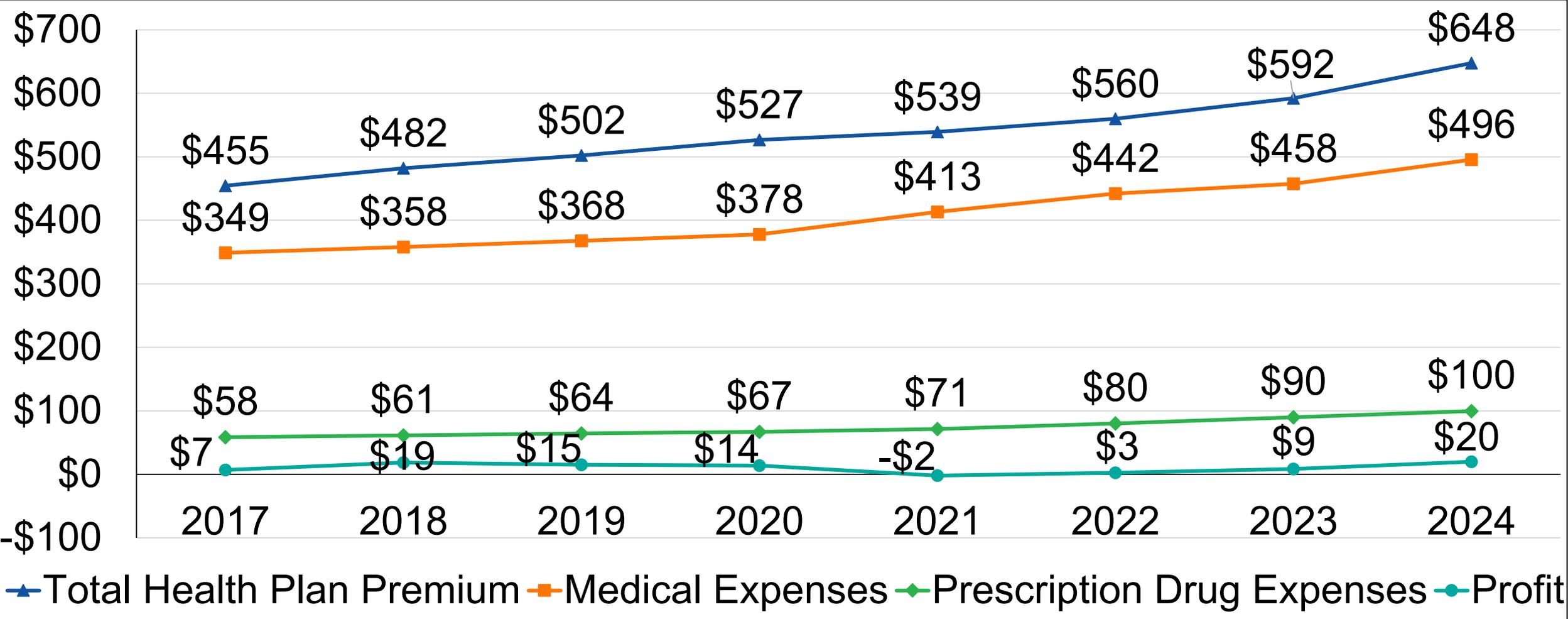
- Contractholders with a combined total of more than 2,000 enrollees (employees plus dependents) can request the DMHC to review their rate change.
- Request the DMHC to review a rate change at <https://wps0.dmhc.ca.gov/LargeGroupRateReview/>

# Summary of the Prescription Drug Cost Transparency Report for Measurement Year 2024

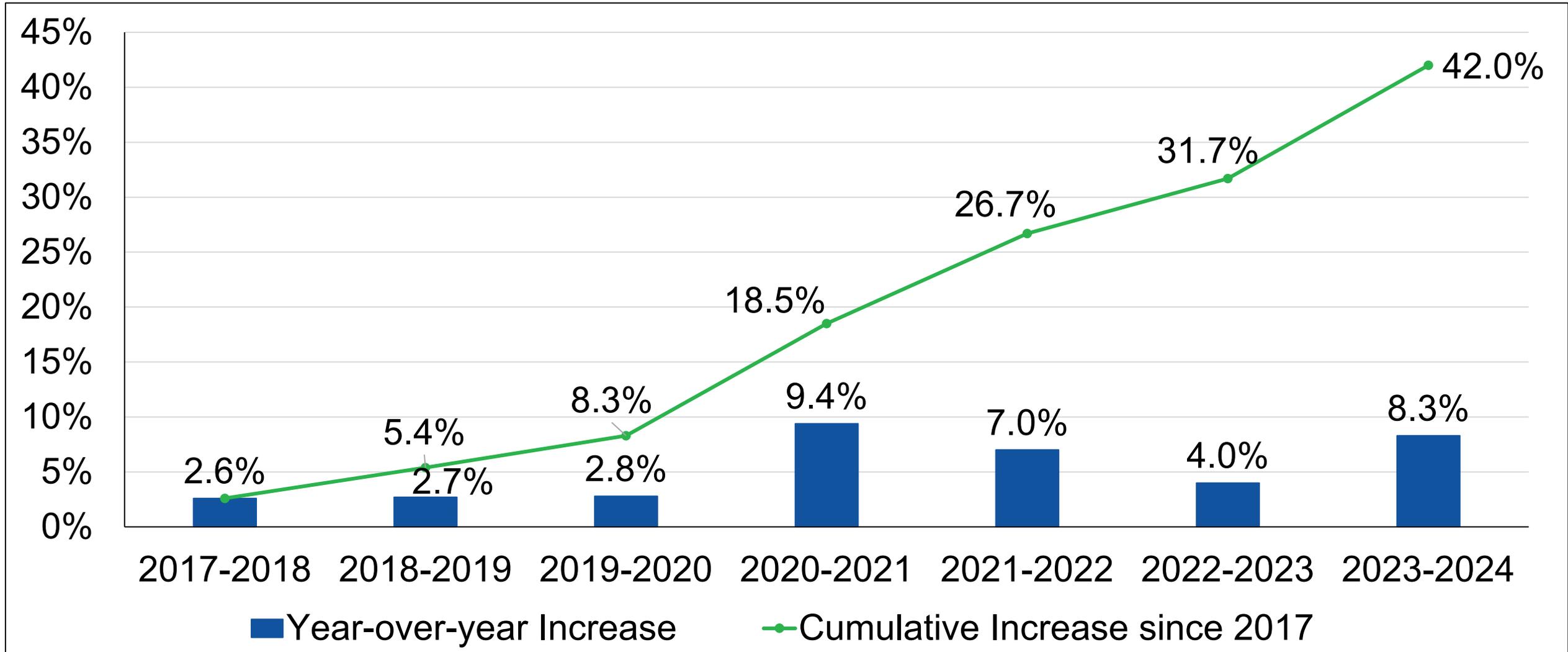
# Key Findings

- Health plans paid approximately \$14.9 billion for prescription drugs in 2024, an increase of almost \$1.3 billion from 2023, and \$6.2 billion from 2017.
- Prescription drugs accounted for 15.4% of total health plan premiums in 2024.
- On a PMPM basis, health plans' prescription drug costs increased by 10.8% in 2024, whereas medical expenses increased by 8.3%.
- Manufacturer drug rebates totaled approximately \$3.2 billion.
- Specialty drugs accounted for only 1.8% of all prescription drugs dispensed, however, they accounted for 63% of total annual spending on prescription drugs.
- Generic drugs accounted for 88.8% of all prescribed drugs but only 11.8% of the total annual spending on prescription drugs.

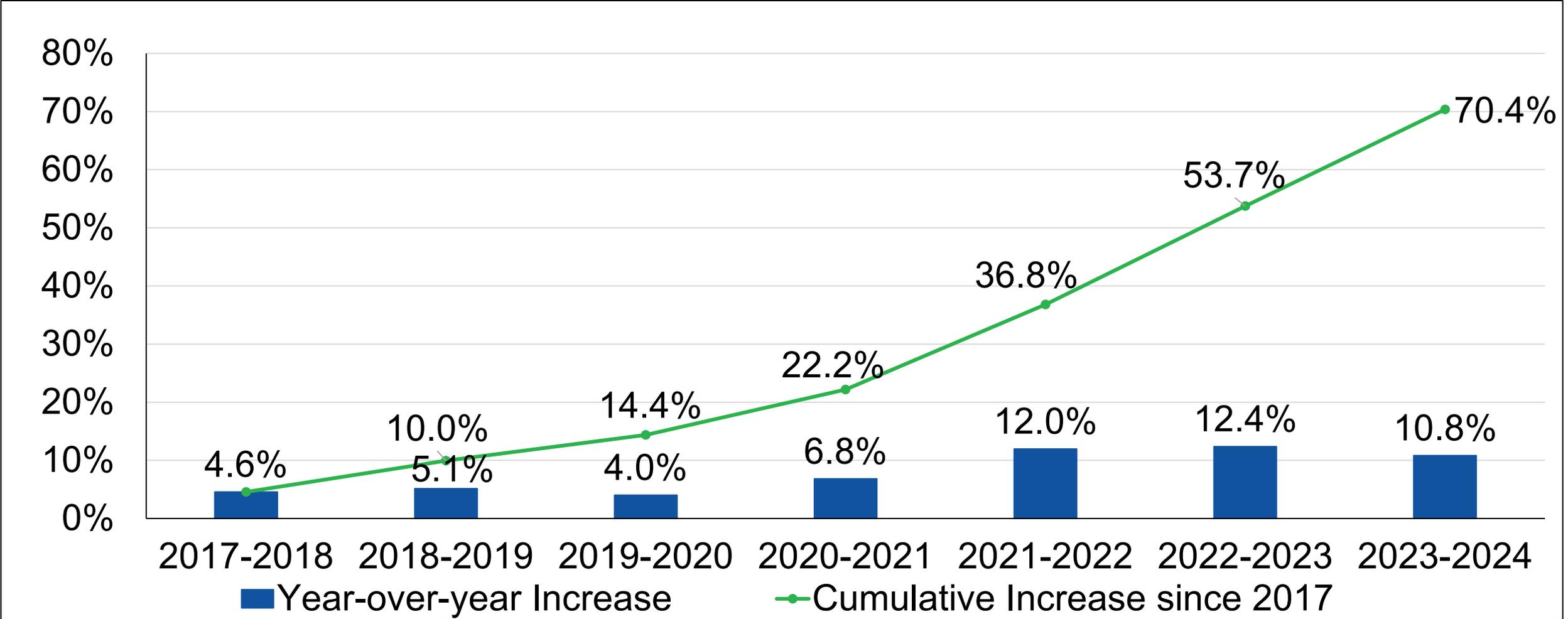
# Year-Over-Year Trend: Total Health Plan Premium, Medical Expenses, Prescription Drug Expenses and Profit (PMPM)



# Year-Over-Year Trend: Medical Expenses Increase



# Year-Over-Year Trend: Prescription Drug Cost Increase



# Pharmacy Benefit Manager Requirements

## Senate Bill 41 (Wiener)

- DMHC to begin licensing Pharmacy Benefit Managers starting January 1, 2027.
- Reforms the revenue generating abilities of Pharmacy Benefit Managers, including prohibiting the practice of spread pricing, requiring manufacturer rebates to be passed through to health plans, and allowing only administrative fee charges to be assessed to health plan.
- Reforms pharmacy network practices, including prohibiting discrimination against nonaffiliated pharmacies and requiring Pharmacy Benefit Managers to add any pharmacy willing to adopt standard terms to their networks.

# Links to the Reports

You can find the reports on the [DMHC website](#):

- [Health Plan Aggregate Premium Rate Report for Measurement Year 2025](#)
- [Prescription Drug Cost Transparency Report for Measurement Year 2024](#)

# California Department of Insurance Health Insurance Rates & Prescription Drug Costs

**Stesha Hodges, Chief, Health Equity and Access Office,  
Assistant Chief Counsel, Policy and Legislation Branch**

**Joseph Williams, Senior Health Actuary**

# HEALTH INSURANCE RATES & PRESCRIPTION DRUG COSTS

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**CALIFORNIA DEPARTMENT OF  
INSURANCE  
MARCH 11, 2026**



# About CDI

- Created in 1868
- Led by California Insurance Commissioner Ricardo Lara
- Regulates the largest insurance market in the United States and the third largest insurance market in the world
- Regulates more than 1,400 insurance companies, including health insurers
- Regulates health insurance products offered by health insurers

# About CDI

- Consumer oriented mission and focus
- In 2024 CDI's Consumer Services Division:
  - Received 206,965 consumer assistance calls
  - Investigated and resolved 62,000 consumer complaints
  - Recovered more than \$132 million
  - Provided in-person assistance at 19 Local Assistance Centers and assisted 996 consumers face-to-face after a disaster
- If you need assistance go to: [www.insurance.ca.gov](http://www.insurance.ca.gov)



# **ANALYSIS OF SB 546 LARGE GROUP RATE DATA FILINGS**

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**CALIFORNIA DEPARTMENT OF INSURANCE**

# Insurer Data Submissions Available at:

[www.insurance.ca.gov](http://www.insurance.ca.gov)

## search for “Large Group Rate”

California Department of Insurance

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Insurance Commissioner

Large Group Rate

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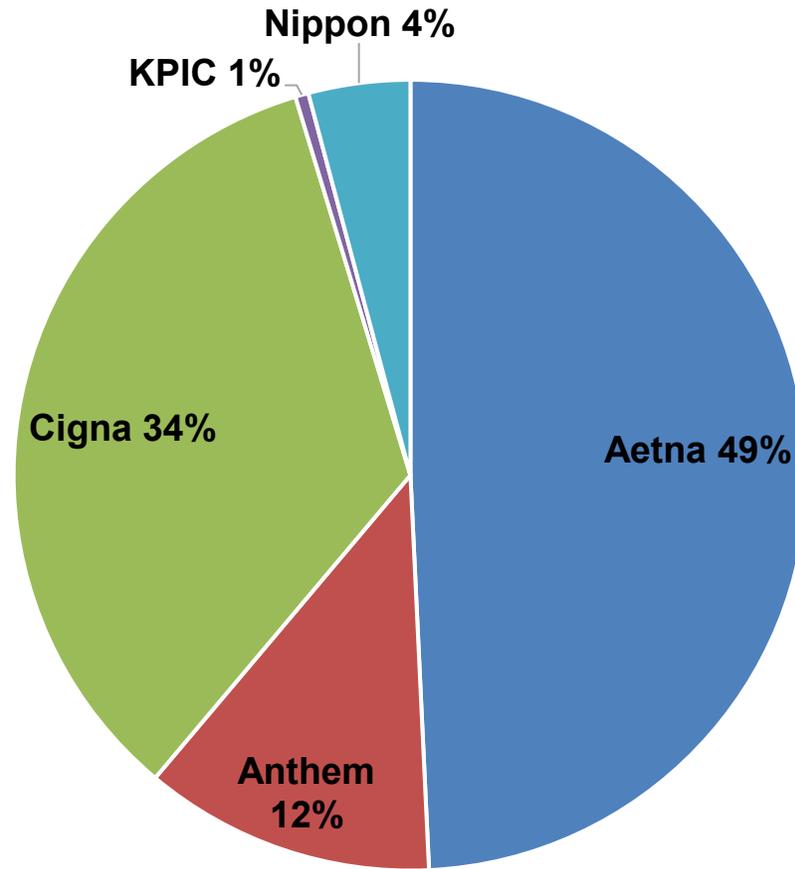
### Large Group Aggregate Rate Submissions

Section 10181.45 of the California Insurance Code requires health insurers to annually submit aggregate information to the California Department of Insurance for large group health insurance.

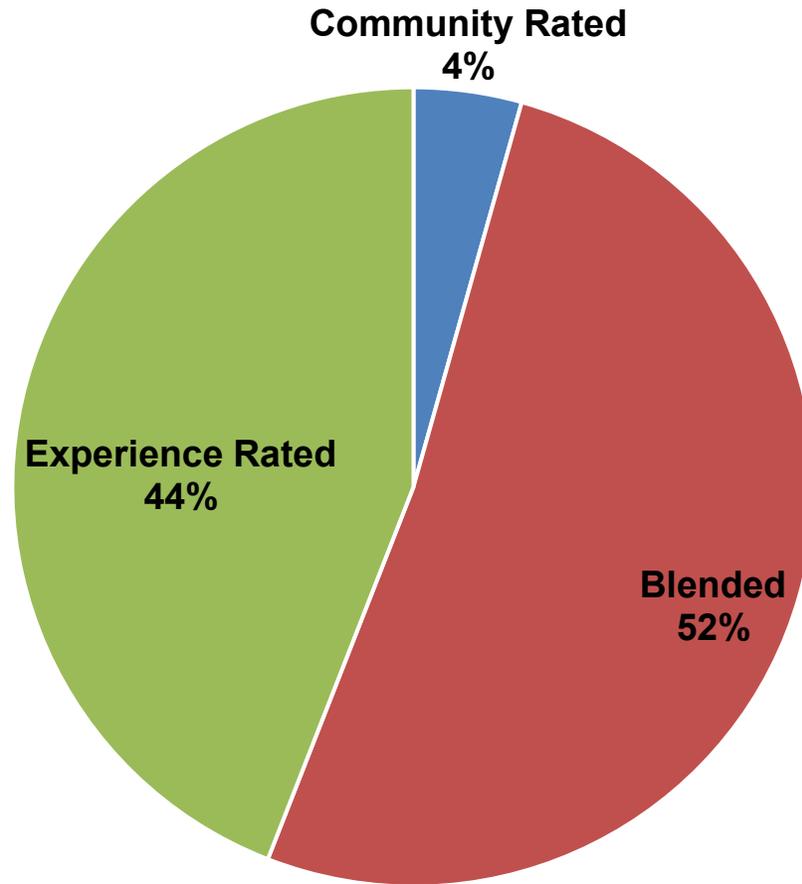
Large Group Rate Increase Submissions										
	Aetna Life Insurance Company	Anthem Blue Cross Life and Health Insurance Company	Blue Shield of California Life and Health Insurance Company	Cigna Health and Life Insurance Company	Health Net Life Insurance Company	Kaiser Permanente Insurance Company	National Health Insurance Company	Nippon Life Insurance Company of America	UnitedHealthCare Insurance Company	

# 2025 Large Group Market Share within CDI (covered lives)

Total Covered Lives ~ 415,000



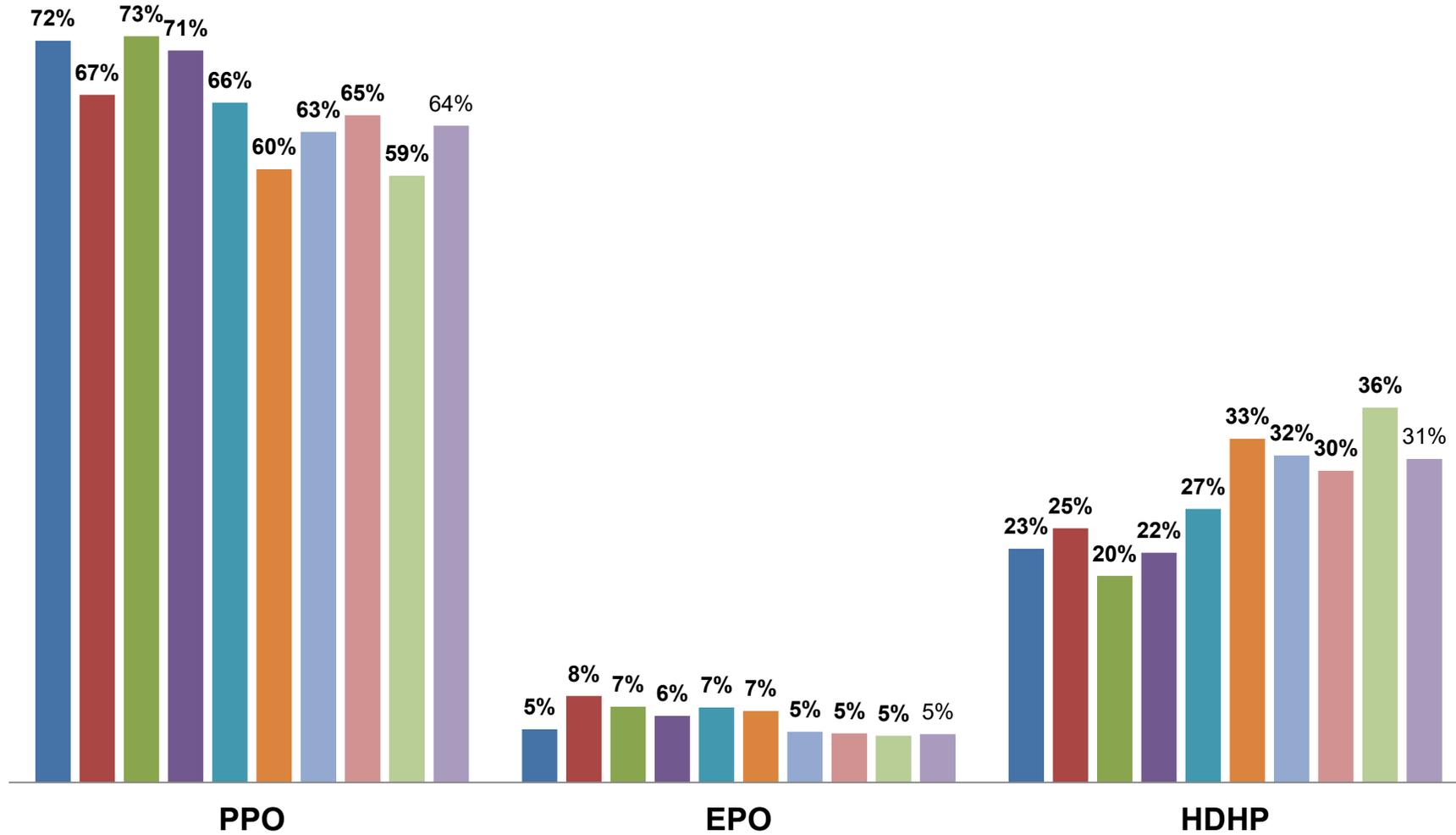
# 2025 Rating Method - All Insurers



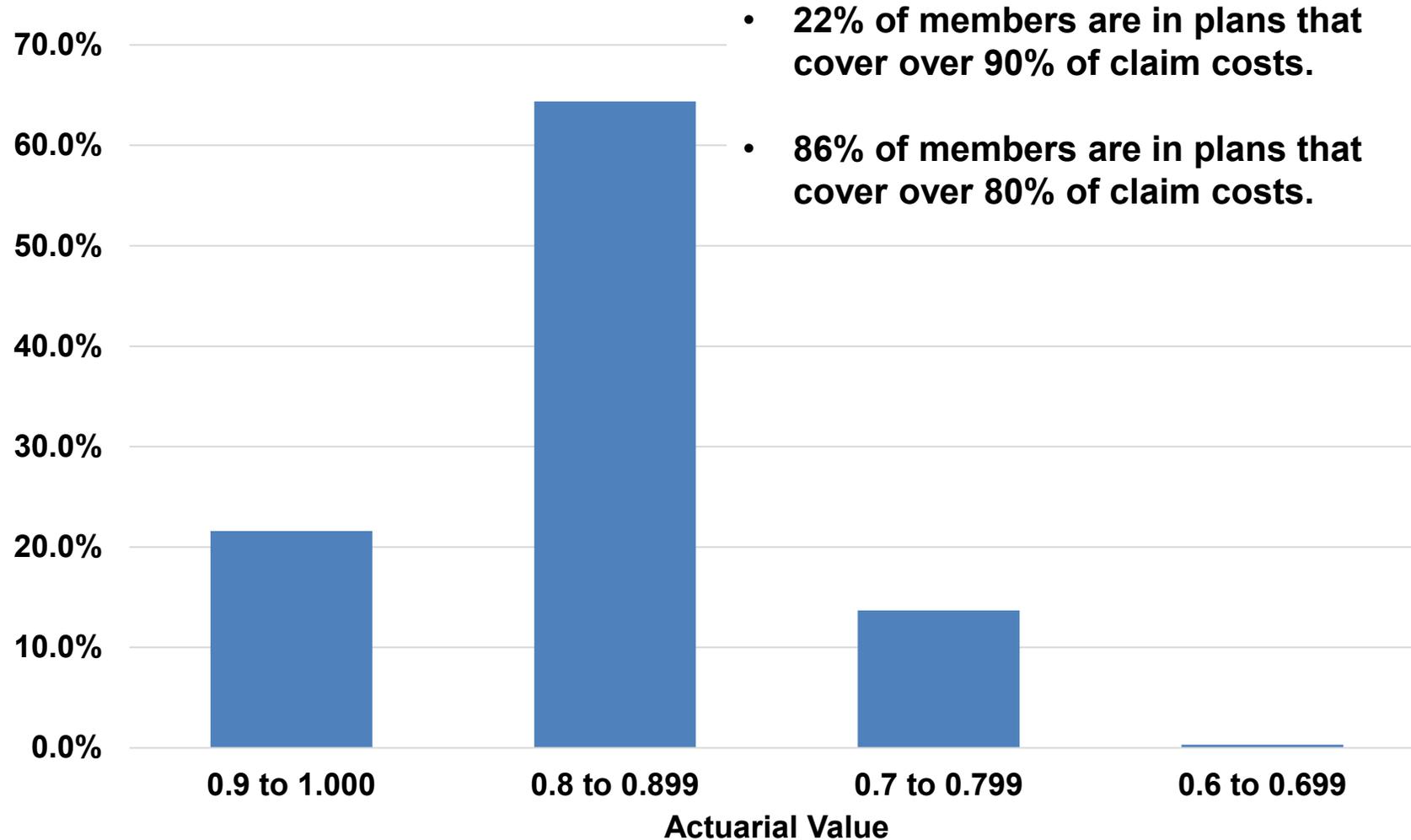
Total covered lives ~ 415,000

# Change in Product Mix

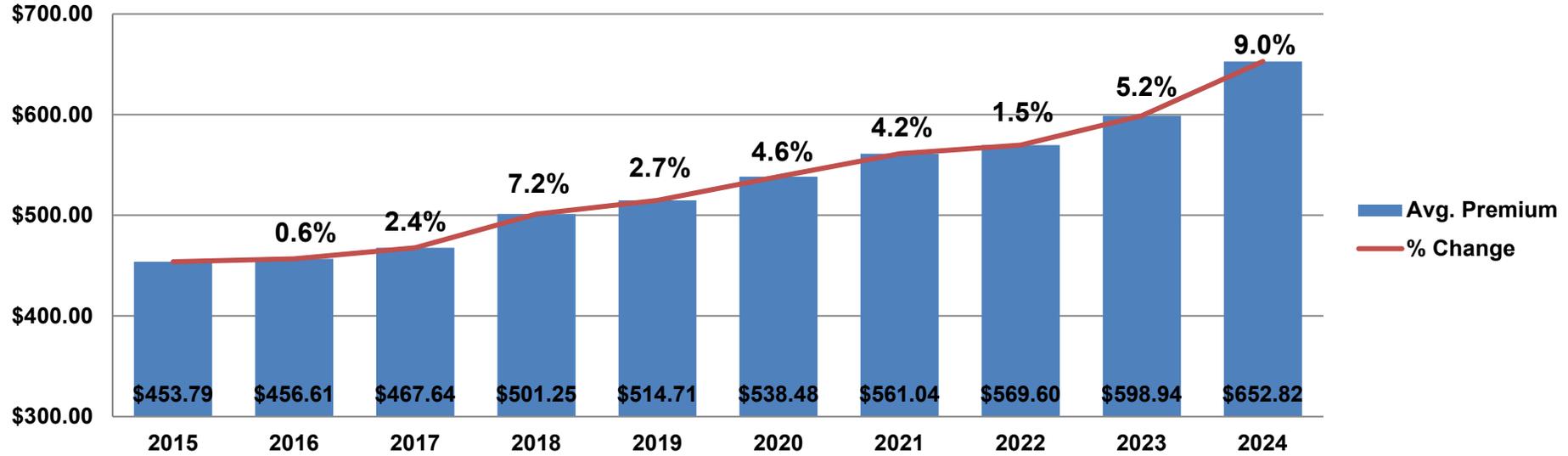
■ 2016 ■ 2017 ■ 2018 ■ 2019 ■ 2020 ■ 2021 ■ 2022 ■ 2023 ■ 2024 ■ 2025



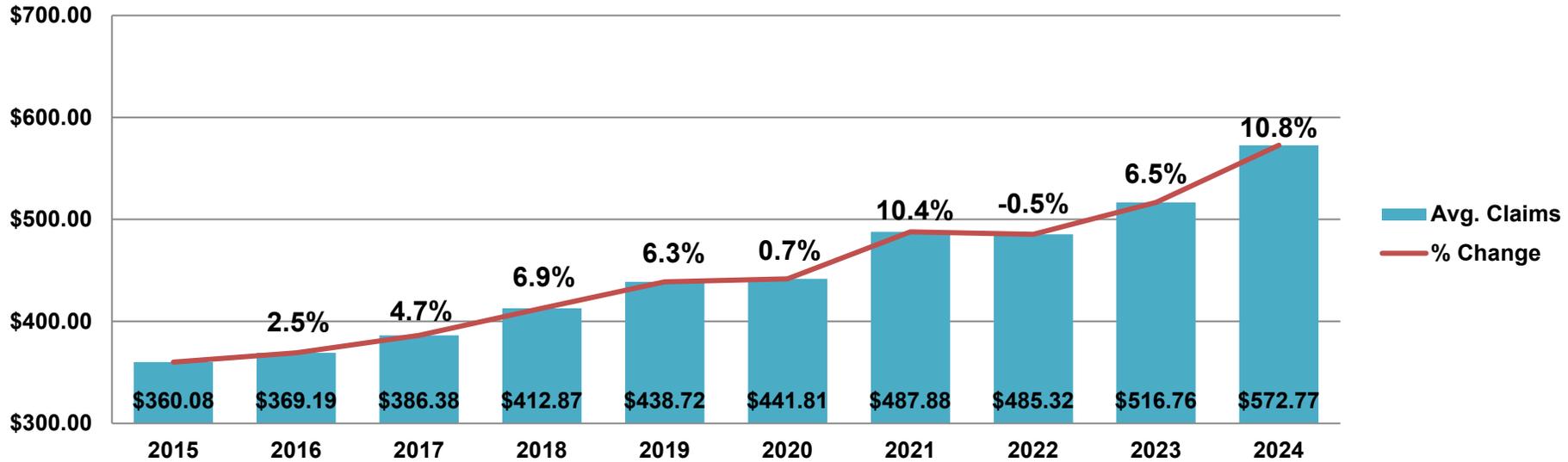
## 2025 Market Share by Actuarial Value (AV)



### Average Premium PMPM



### Average Claims PMPM



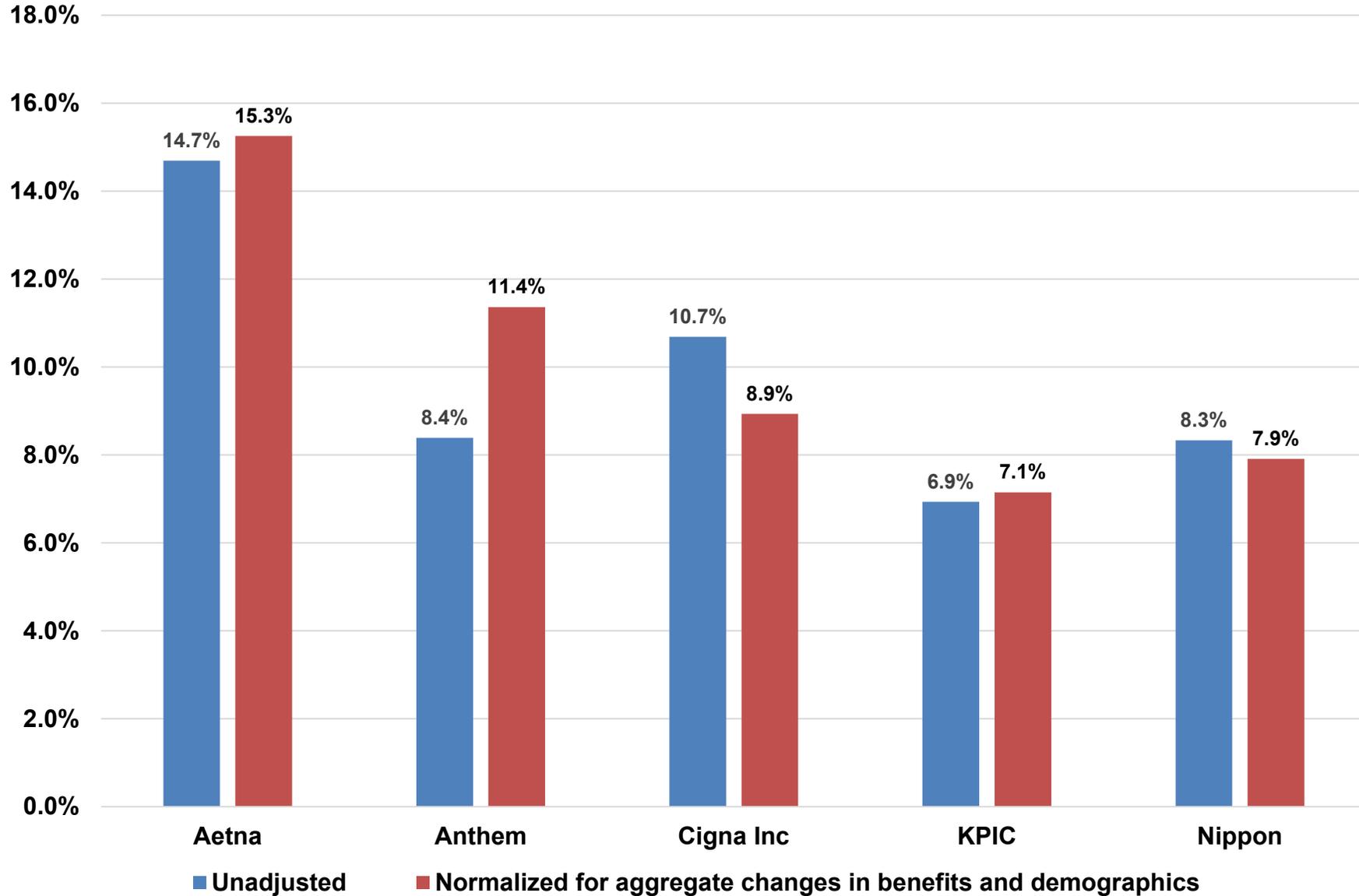
\* Small Group definition changed effective 1-1-2016 to include employers with 51-100 employees.

## Average Premium Increase Covered California and CalPERS

Health Insurers are required to indicate in their notice of premium rate change whether the rate change is greater than the average increase for Covered California and CalPERS.

Year	Covered California	CalPERS
2026	10.3%	8.4%
2025	7.9%	9.0%
2024	9.6%	10.9%
2023	5.6%	7.0%
2022	1.8%	5.5%
2021	0.5%	5.3%
2020	0.8%	5.1%

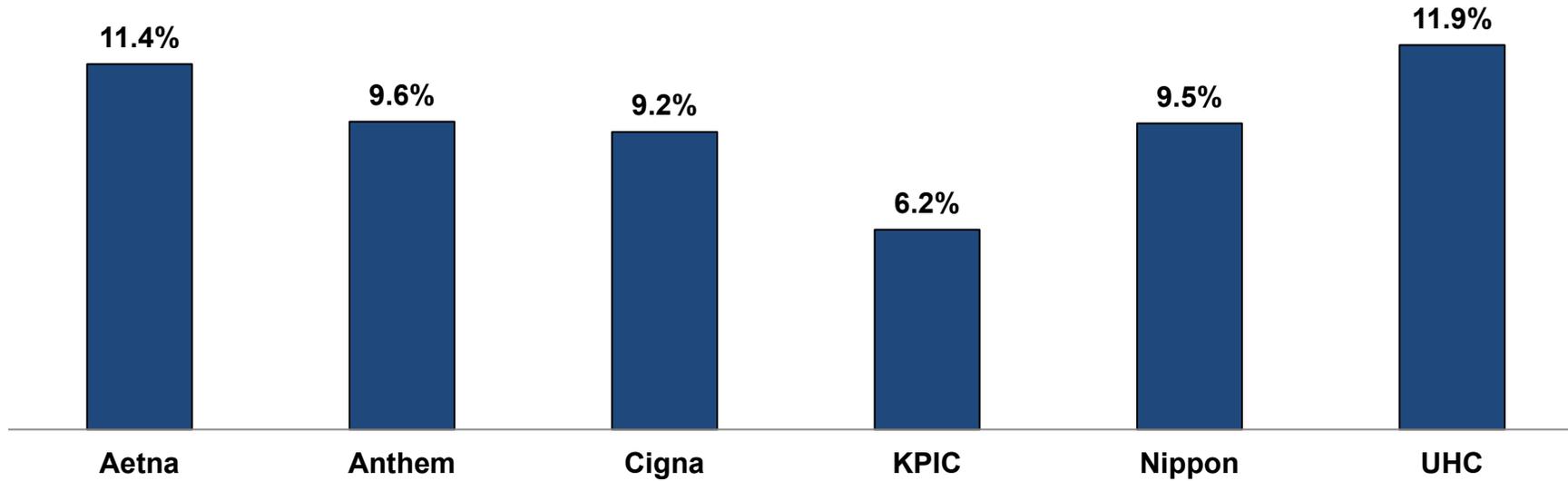
# Weighted Average Annual 2025/2024 Rate Increase



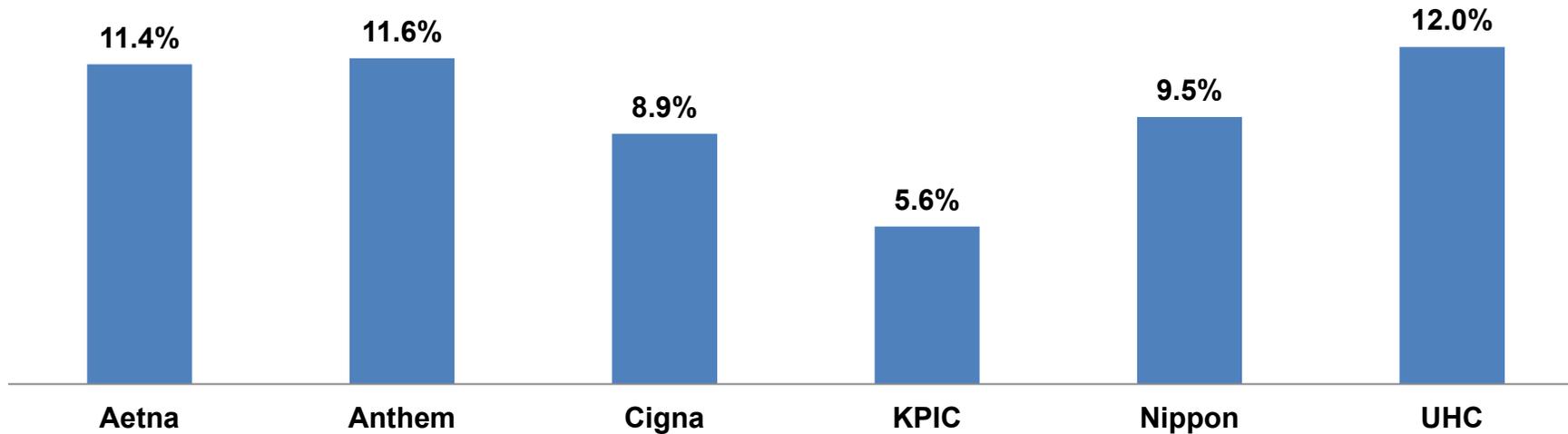
## Rate Changes by Product Type

Product Type	2024 Reporting Year	2025 Reporting Year
PPO	9.6%	11.9%
EPO	9.9%	17.4%
HDHP	9.0%	12.4%

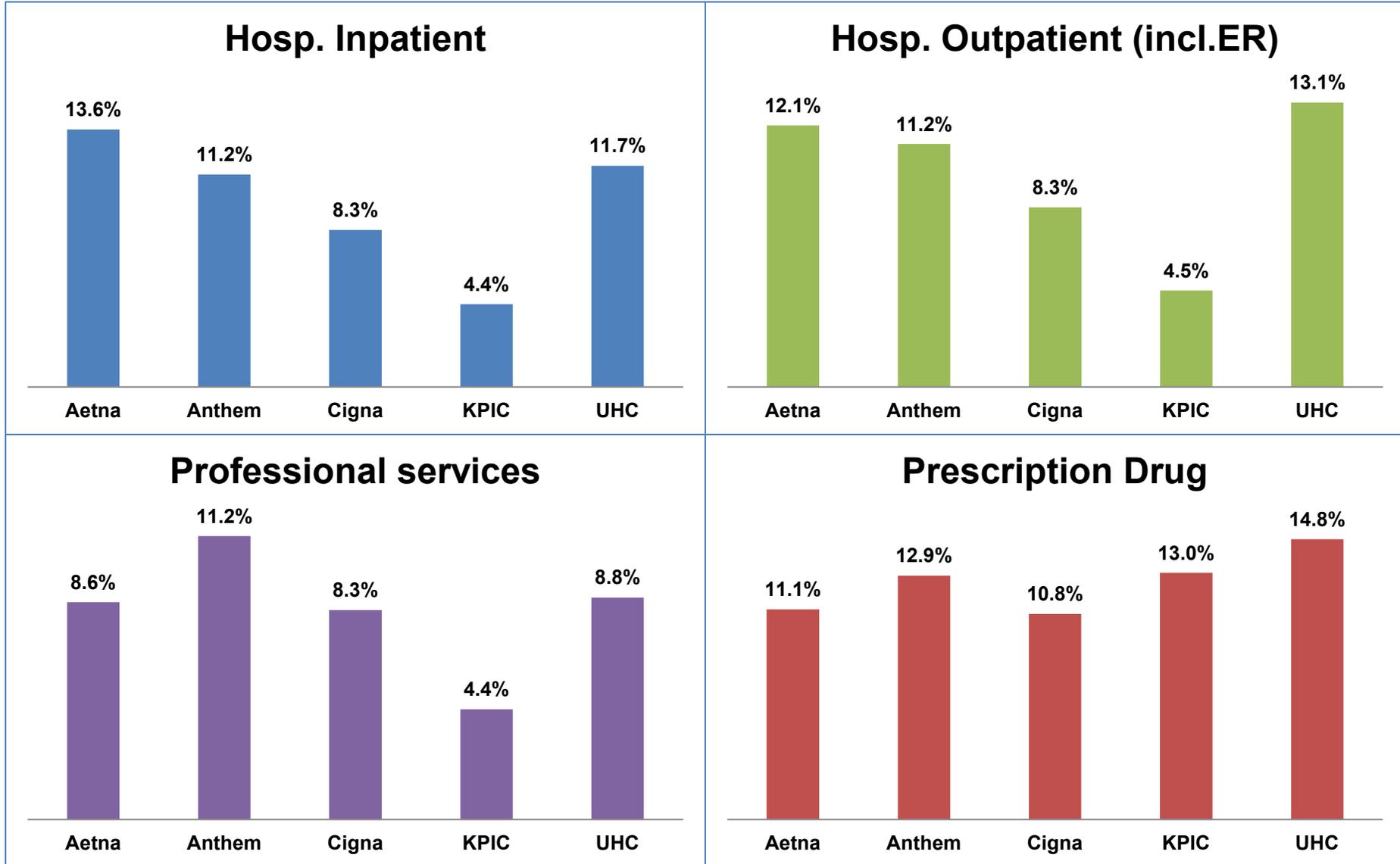
### Overall Medical Trend - 2025/2024



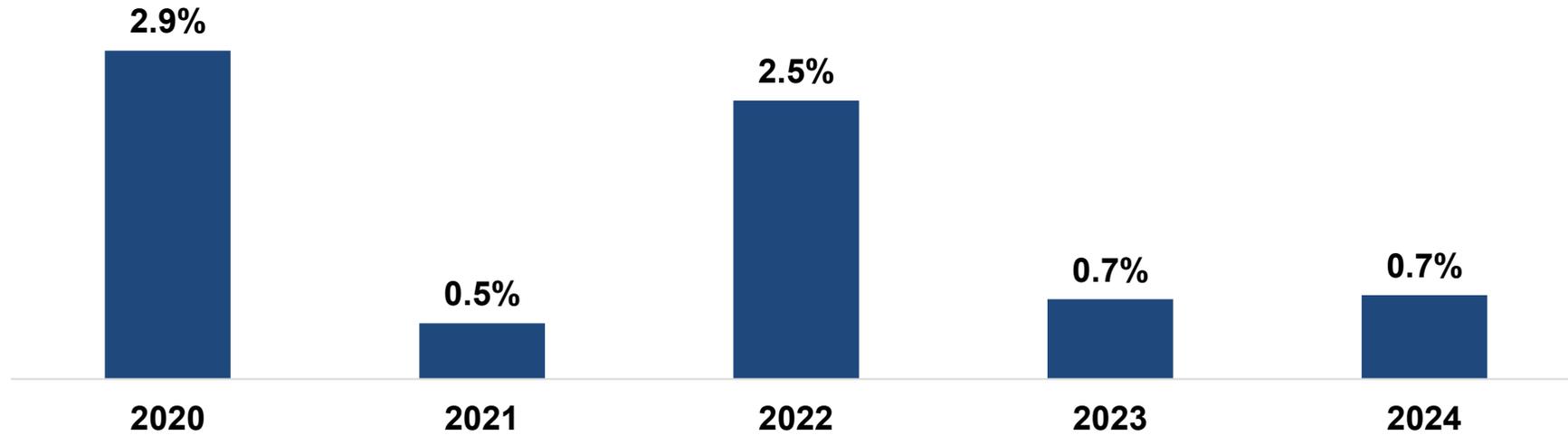
### Projected Trend - 2026/2025



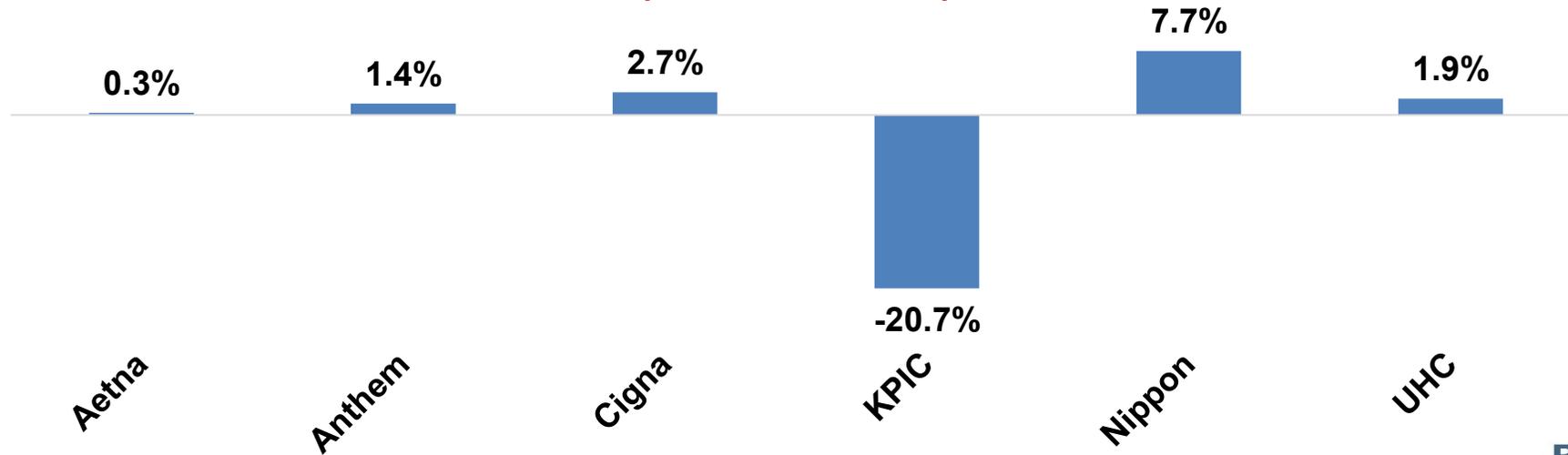
# Projected Trend for Service Category for 2026/2025



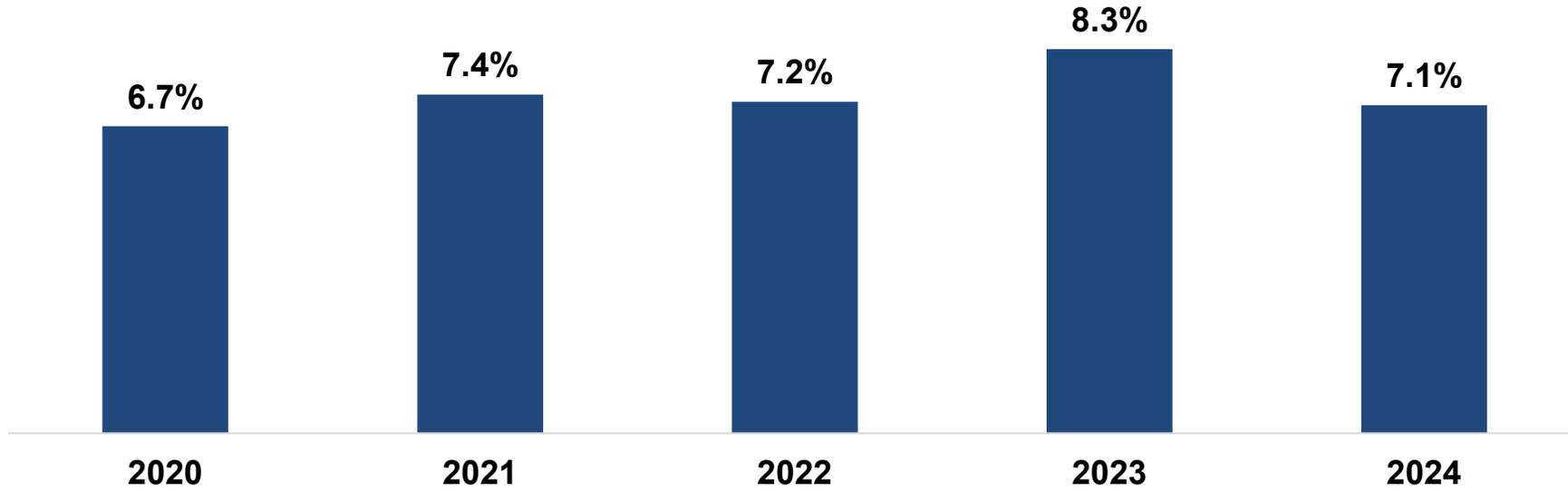
### EPO and PPO Average Estimated Post-Tax Margin (% of Premium)



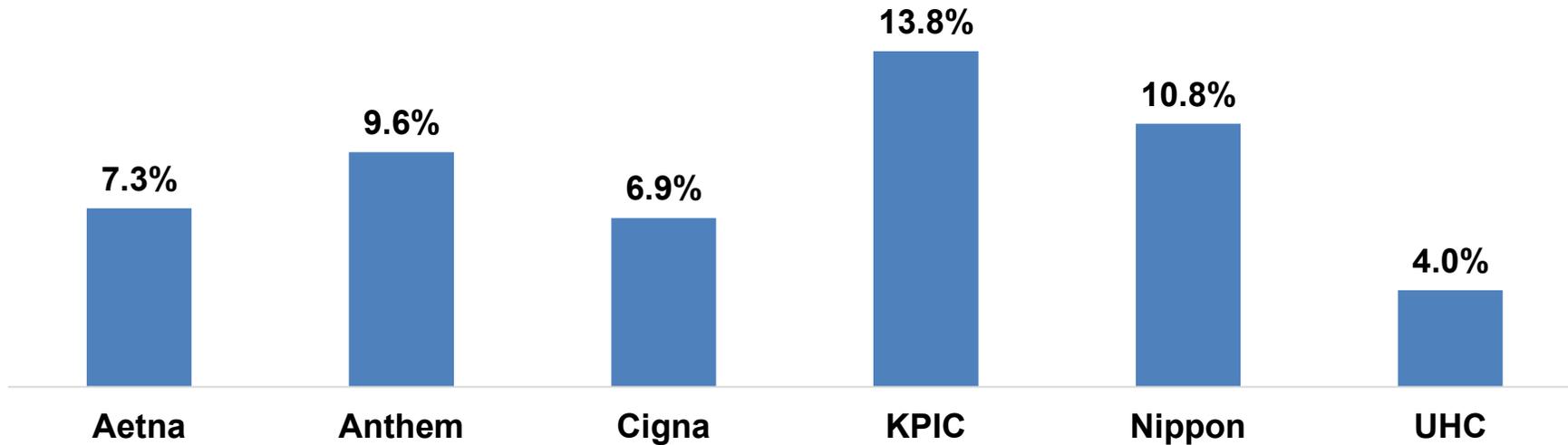
### 2020-2024 Avg. Est. Post-Tax Margin - By Insurer (% of Premium)



### EPO and PPO Average Admin. Expenses (% of Premium)



### 2020-2024 Average Admin. - By Insurer (% of Premium)



# **ANALYSIS OF SB 546 STUDENT RATE DATA FILINGS**

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**CALIFORNIA DEPARTMENT OF INSURANCE**

# Insurer Data Submissions Available at:

[www.insurance.ca.gov](http://www.insurance.ca.gov)

with

# Large Group Aggregate Rate Submissions

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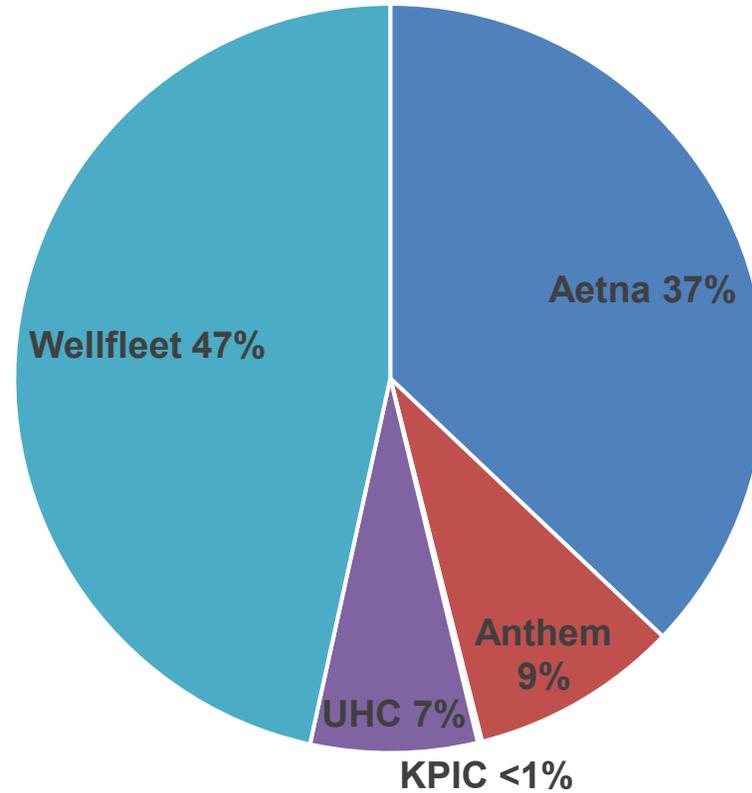
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Large Group Rate Increase Submissions									
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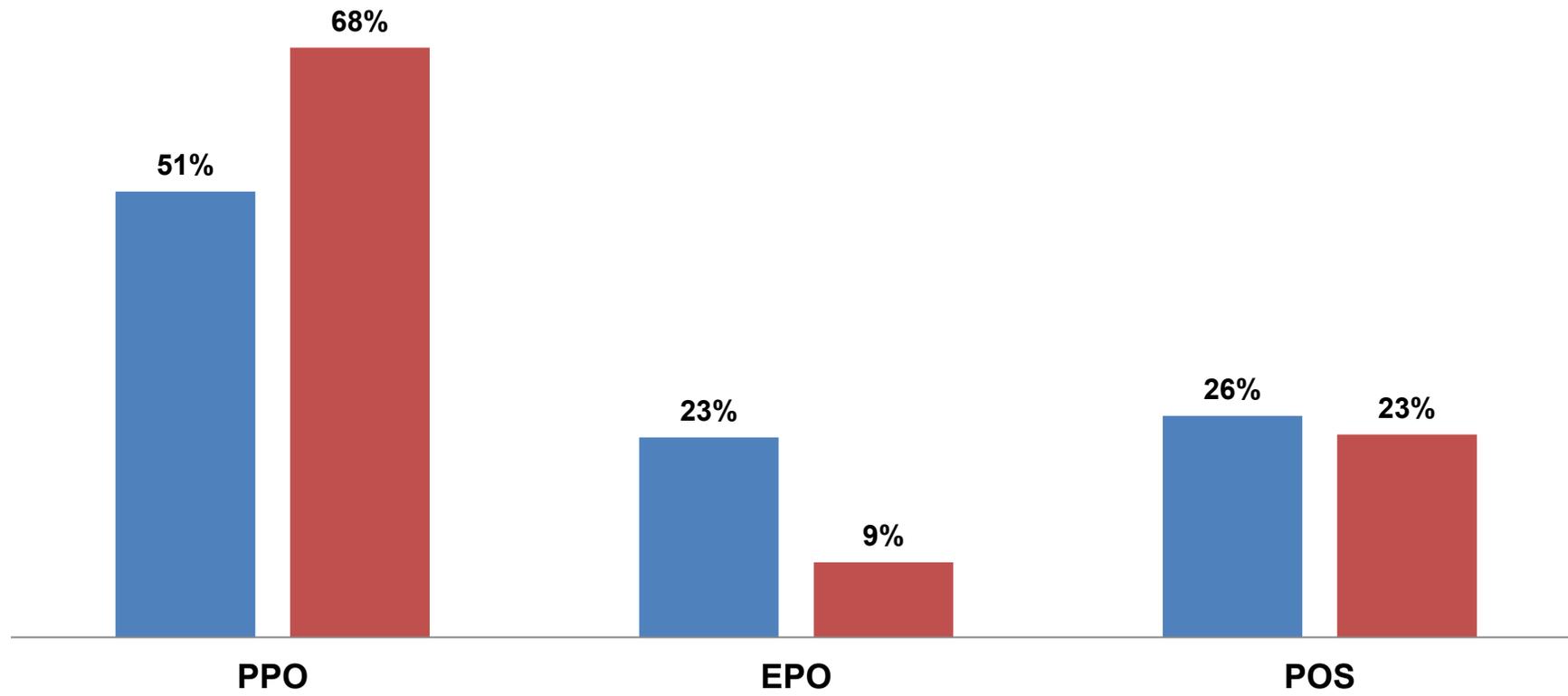
# 2025 Student Market Share within CDI (covered lives)

Total Covered Lives ~ 110,000

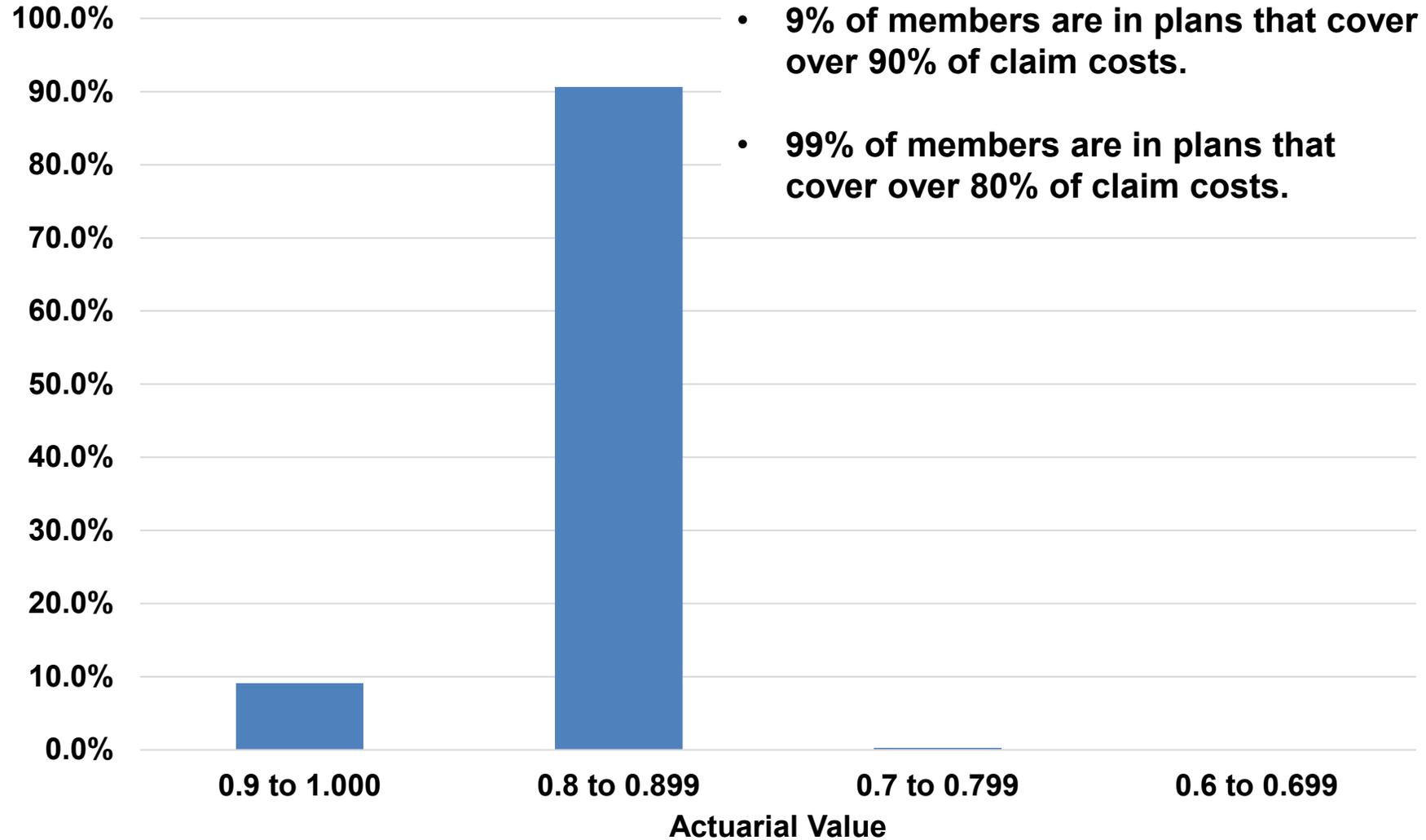


# Product Mix

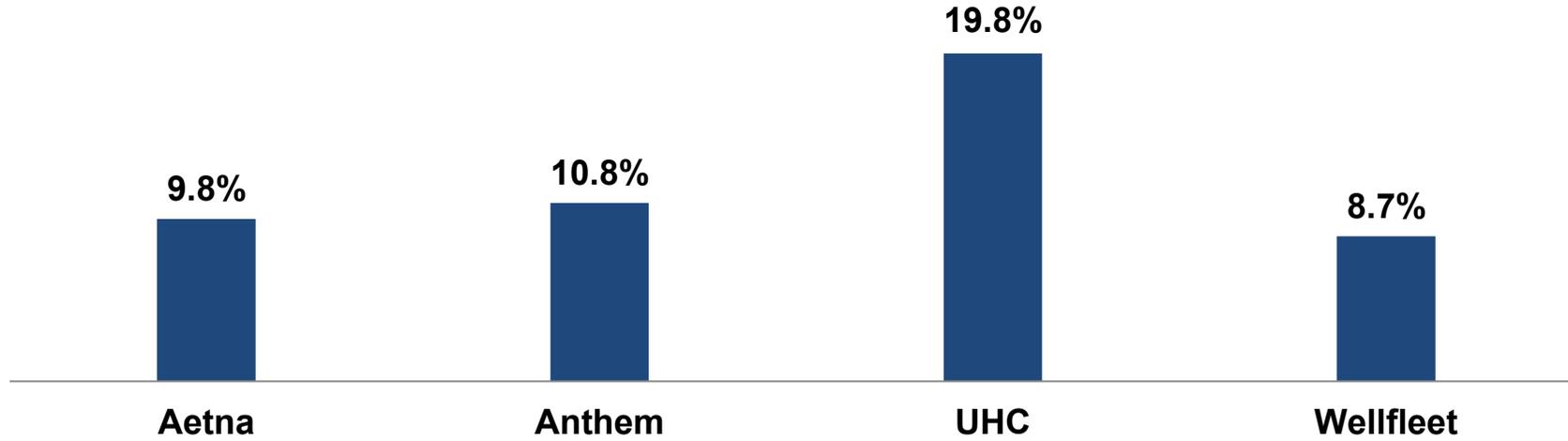
■ 2024 ■ 2025



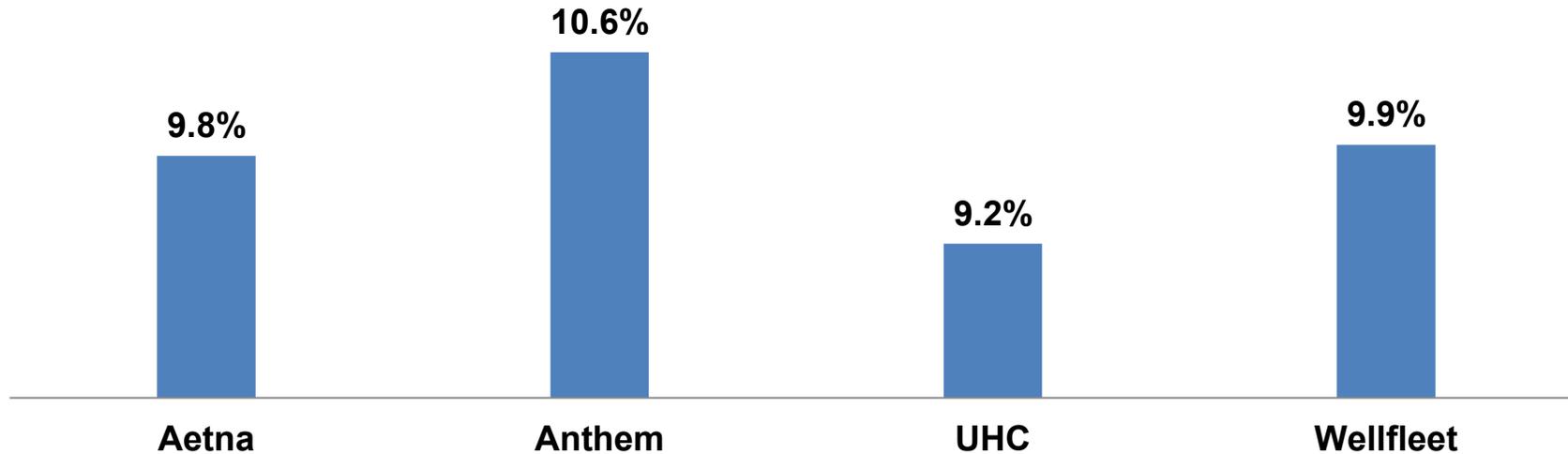
## 2025 Market Share by Actuarial Value (AV)



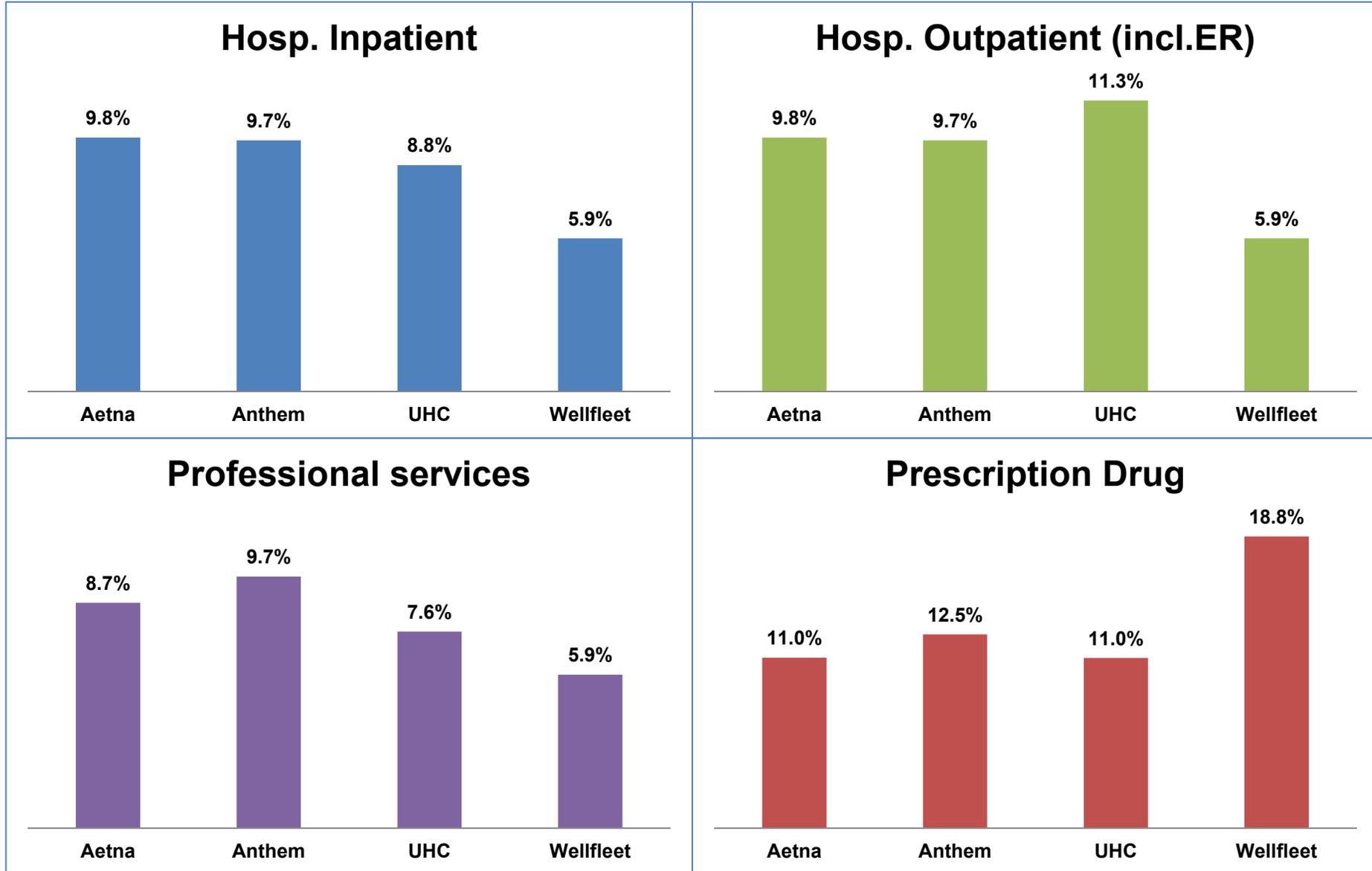
### Overall Medical Trend - 2025/2024



### Projected Trend - 2026/2025



# Projected Trend for Service Category for 2026/2025



# ANALYSIS OF AB 2118 SUBMISSIONS

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Policies in the Individual Market

# Insurer Data Submissions Available at: [www.insurance.ca.gov](http://www.insurance.ca.gov)

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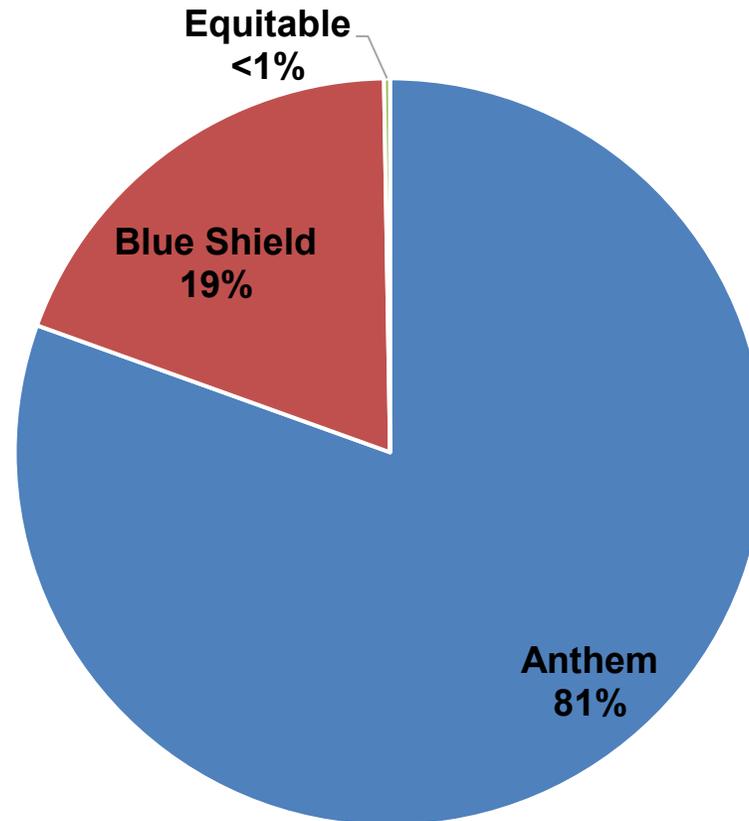
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Aggregate Information Submissions											
	Individual					Small Group					
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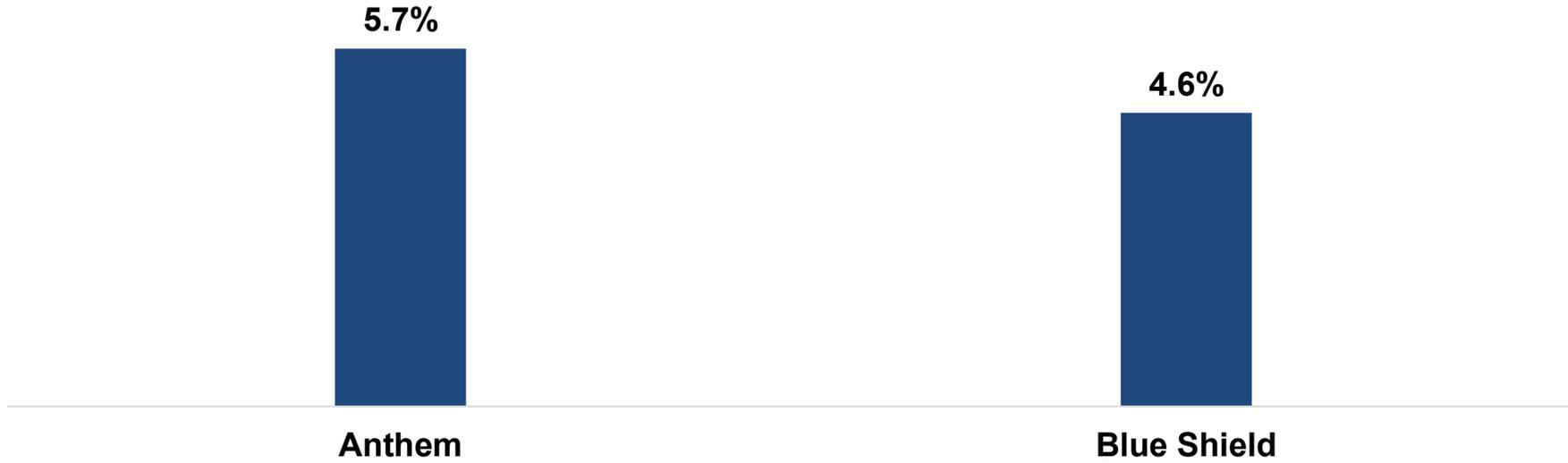
## 2025 Individual Market Share within CDI (covered lives)

Total Covered Lives ~ 23,000

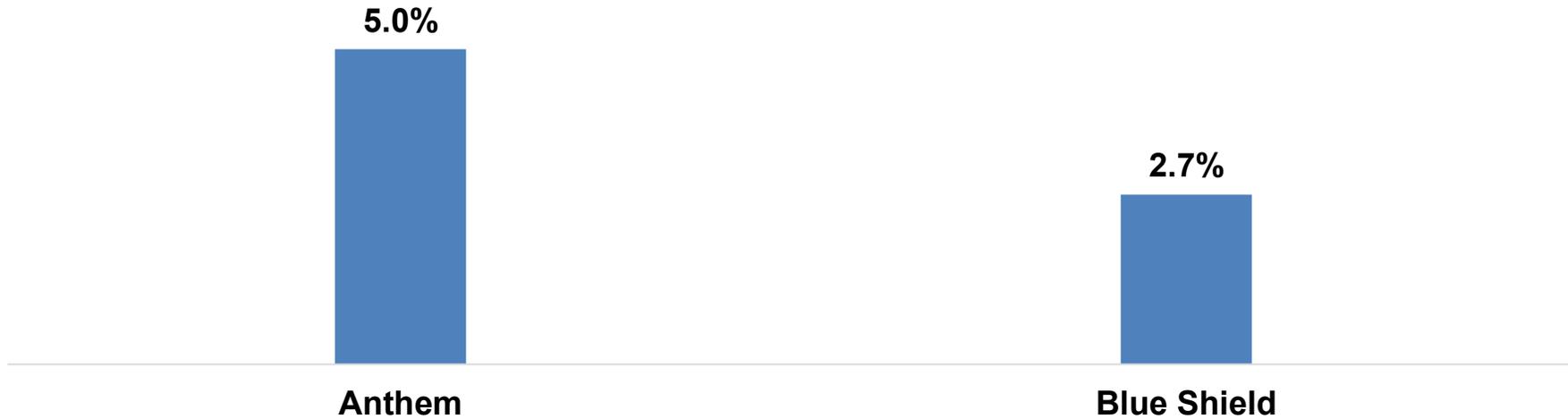


- All members are in PPO plans.
- Plans offered by Anthem, Blue Shield, and Equitable are grandfathered plans.

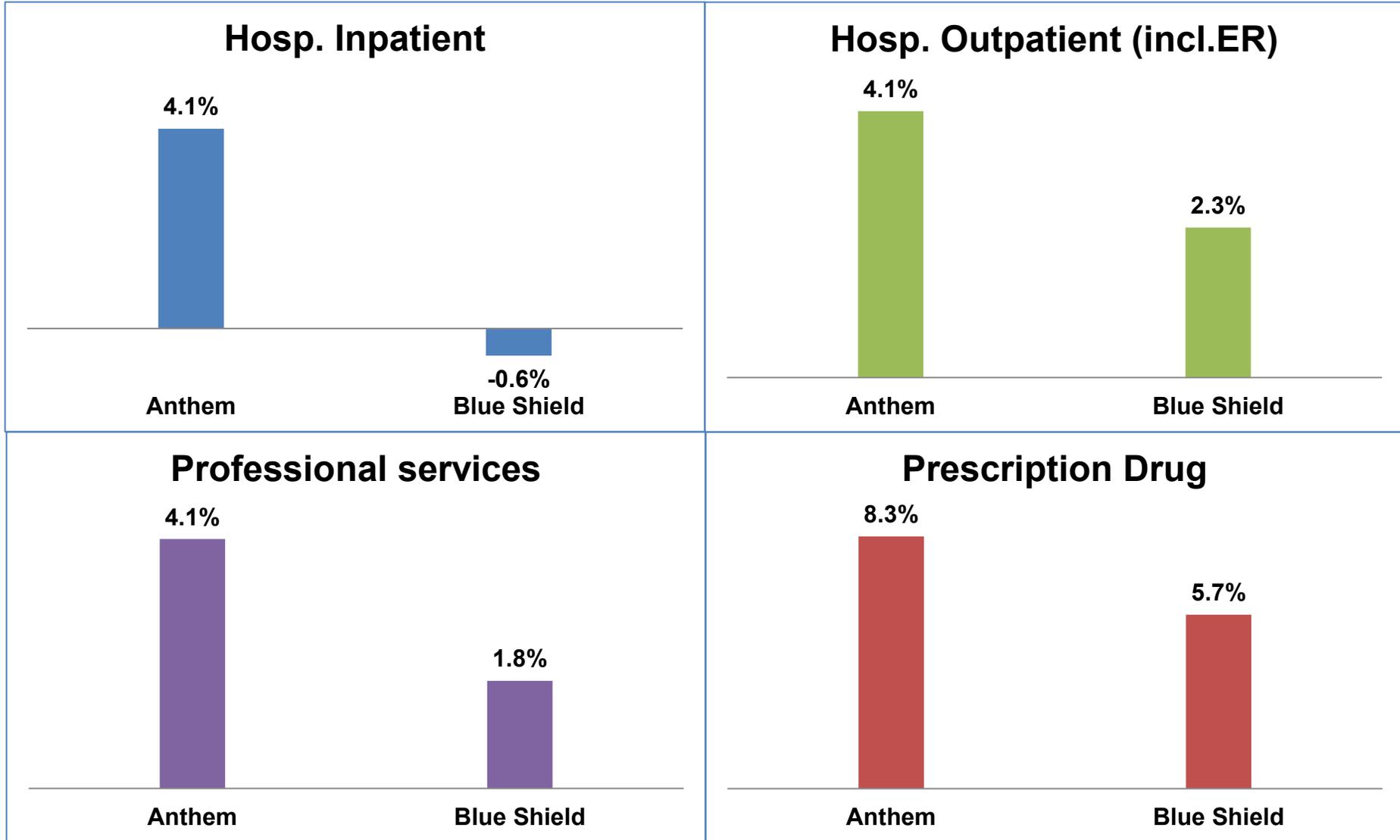
### Overall Medical Trend - 2025/2024



### Projected Trend - 2026/2025



# Projected Trend for Service Category for 2026/2025



# ANALYSIS OF AB 2118 SUBMISSIONS

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Policies in the Small Group Market

# Insurer Data Submissions Available at:

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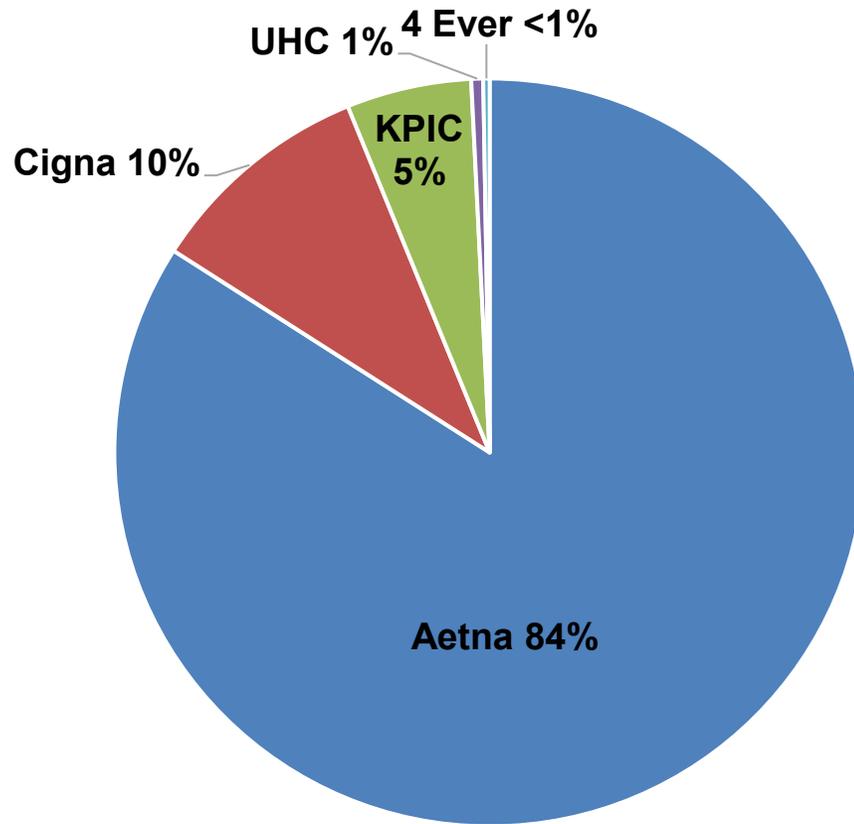
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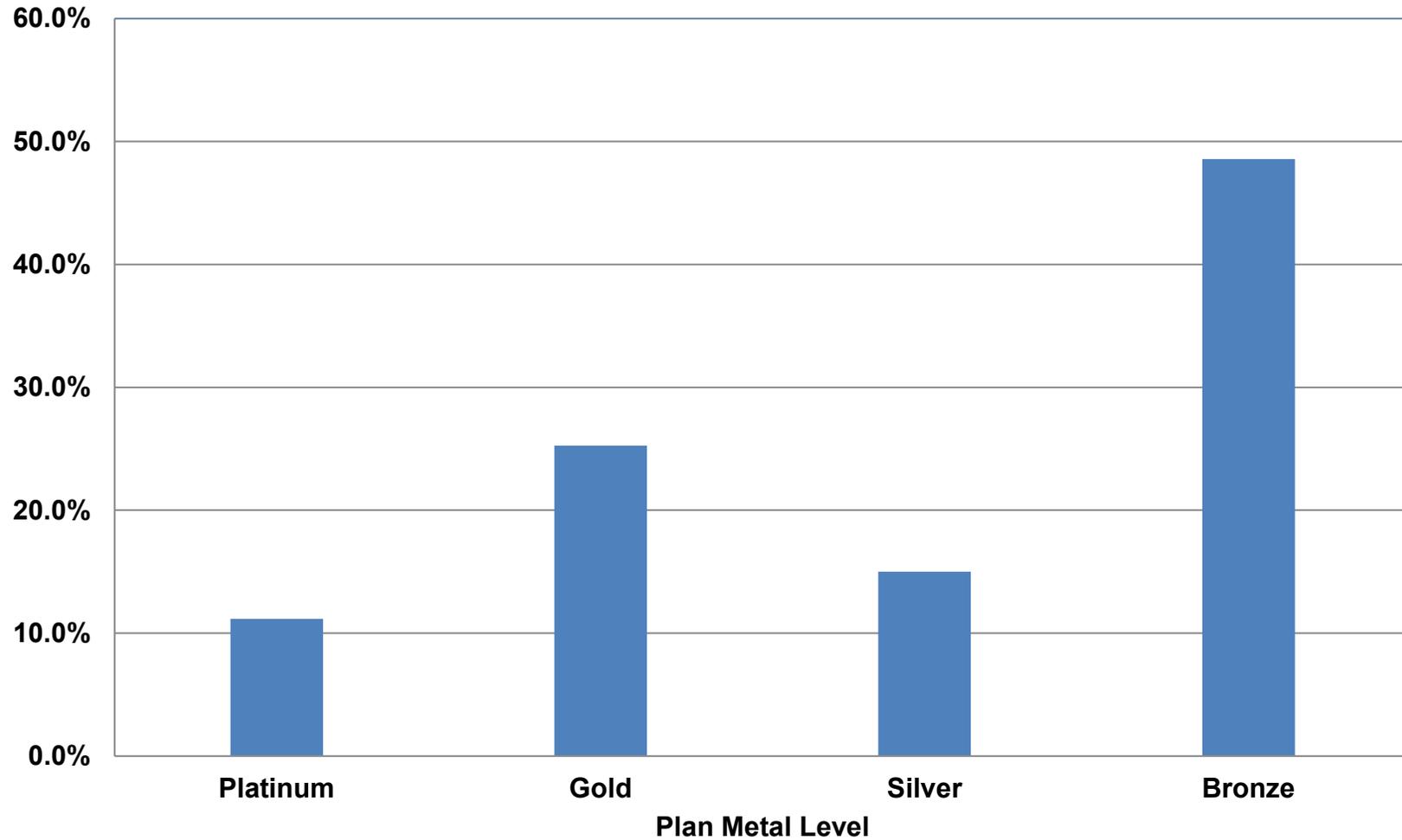
# 2025 Small Group Market Share within CDI (covered lives)

Total Covered Lives ~ 26,000

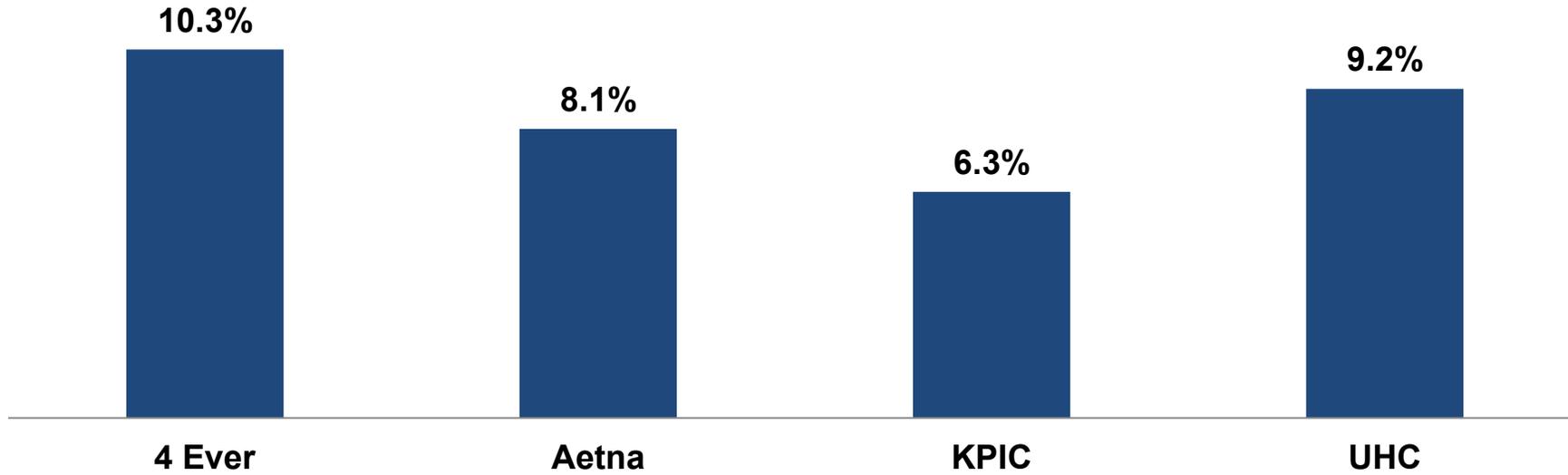


- 95% of the members are in PPO plans
- 5% of the members are in EPO plans

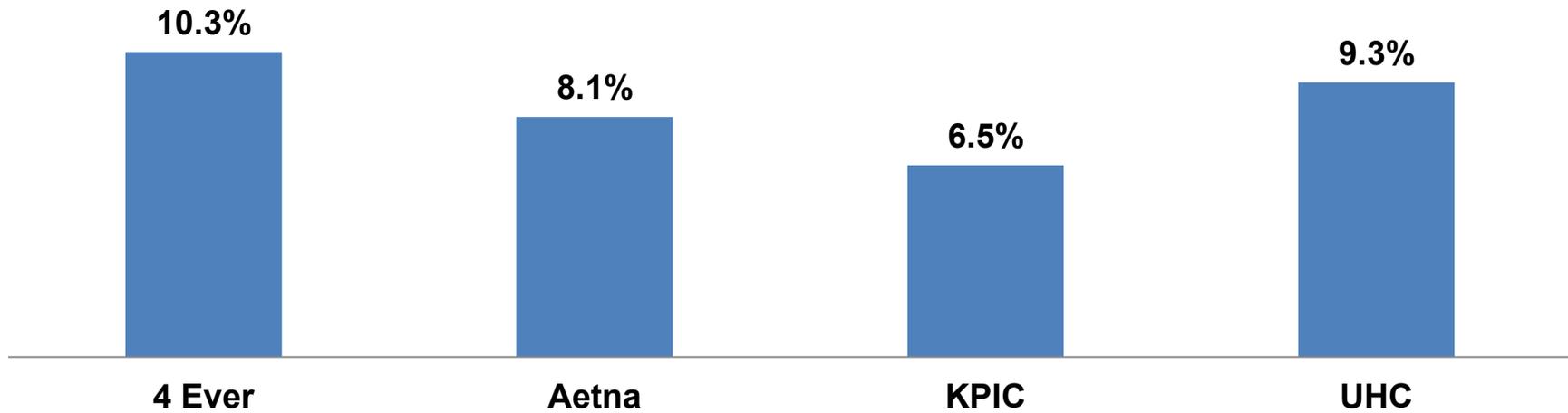
## 2025 Market Share by Actuarial Value (AV)



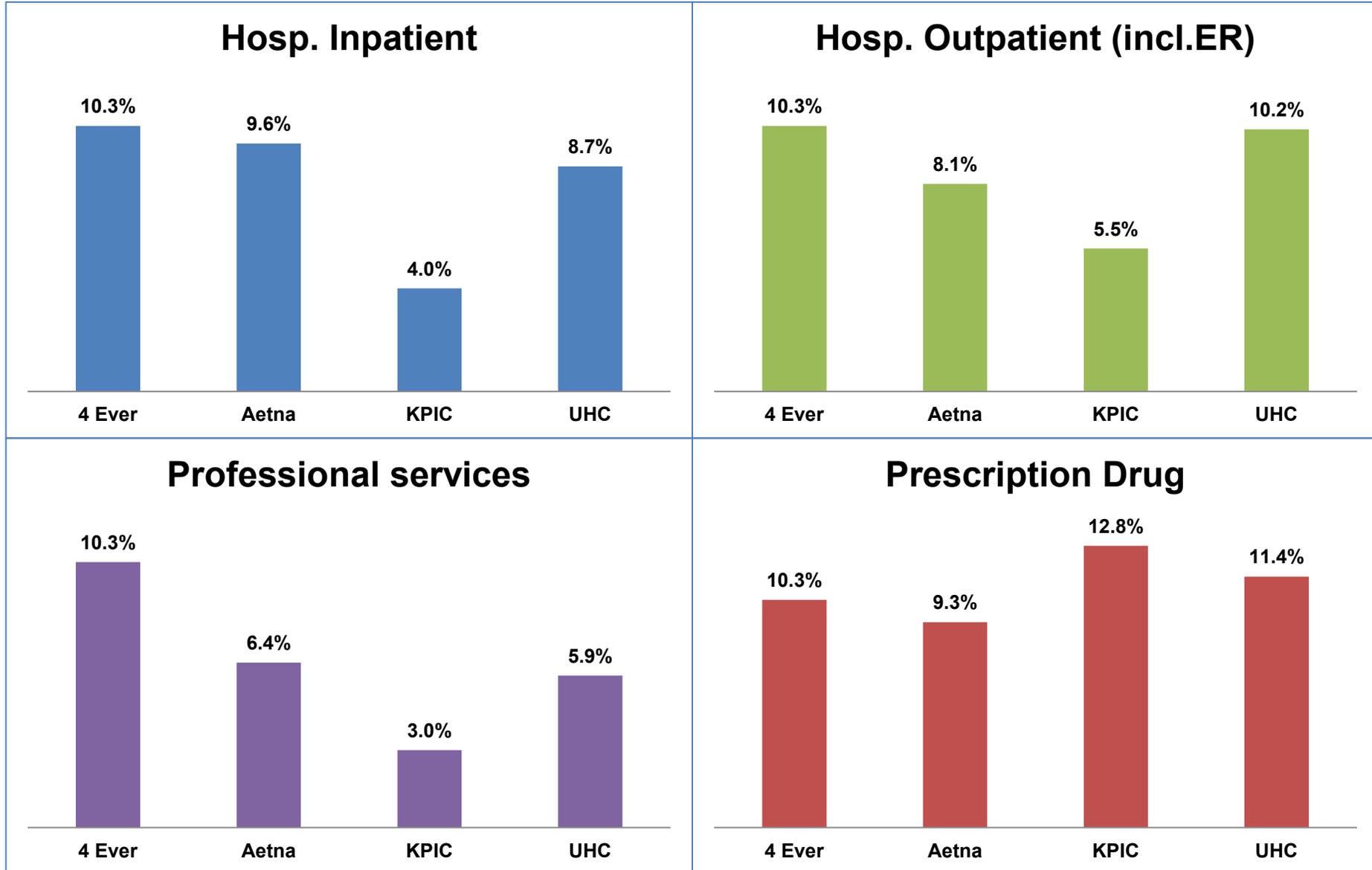
### Overall Medical Trend - 2025/2024



### Projected Trend - 2026/2025



# Projected Trend for Service Category for 2026/2025

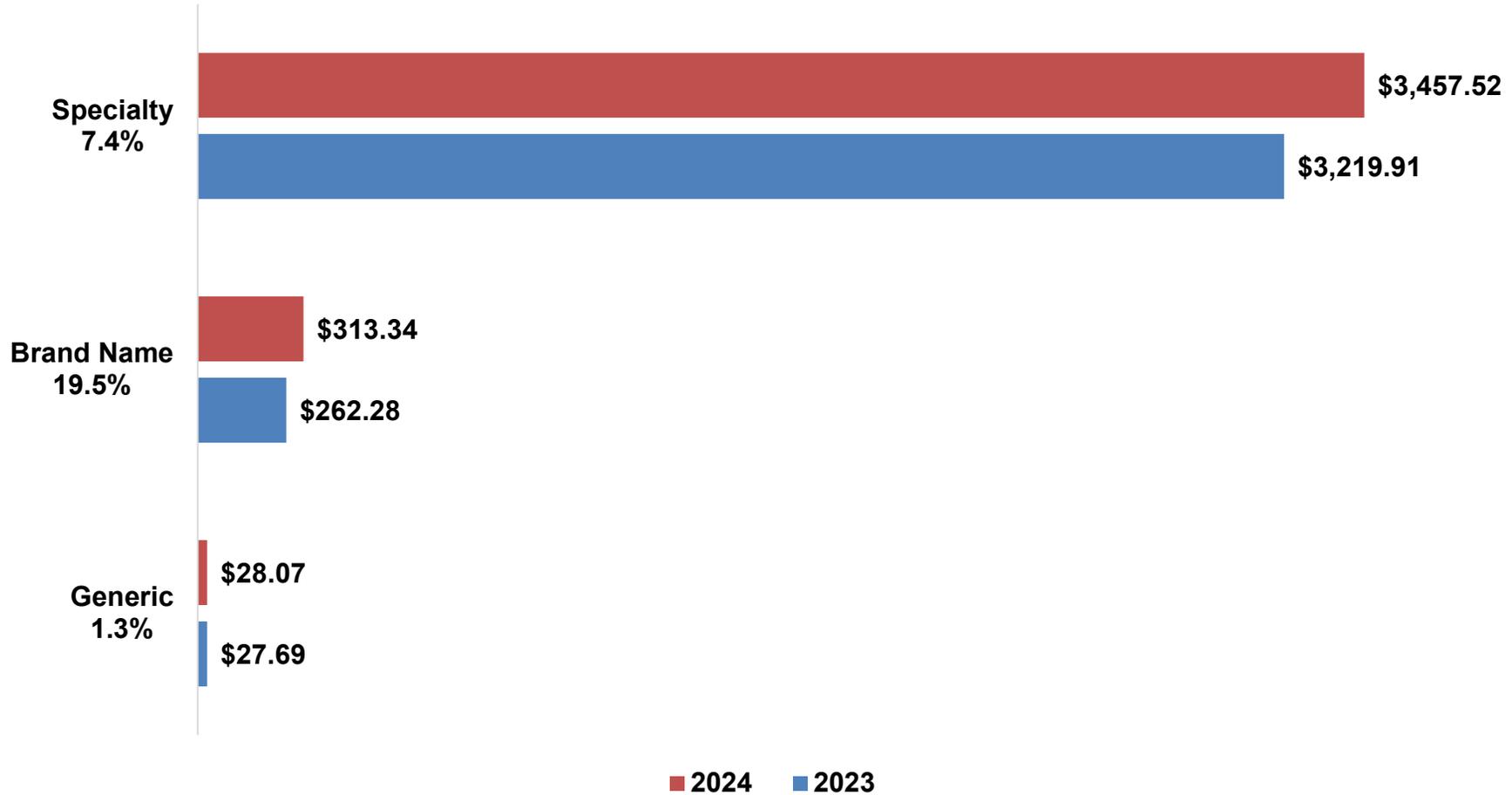


# IMPACT OF PRESCRIPTION DRUG COSTS ON HEALTH INSURANCE PREMIUMS

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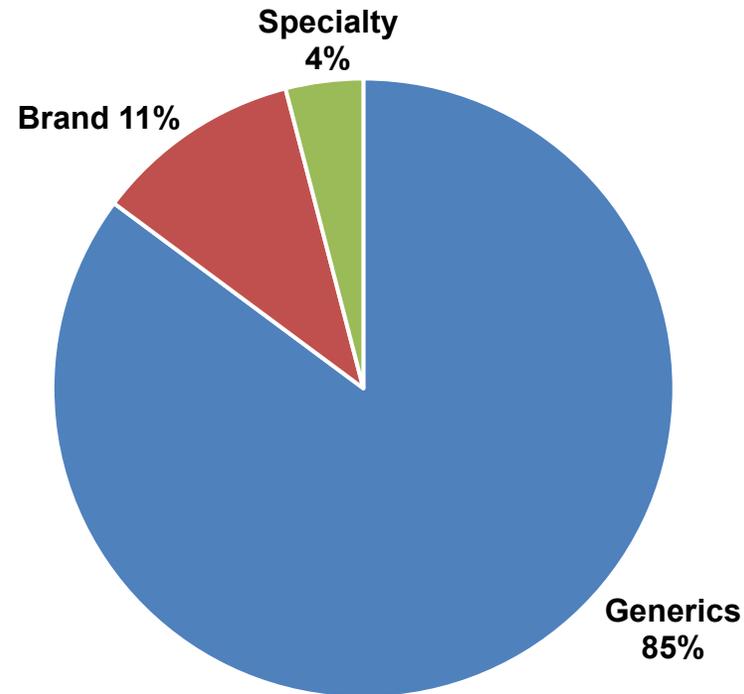
SB 17 Submissions

# Year-Over-Year Changes in Total Cost per Prescription for All Prescription Drugs including Member Costs

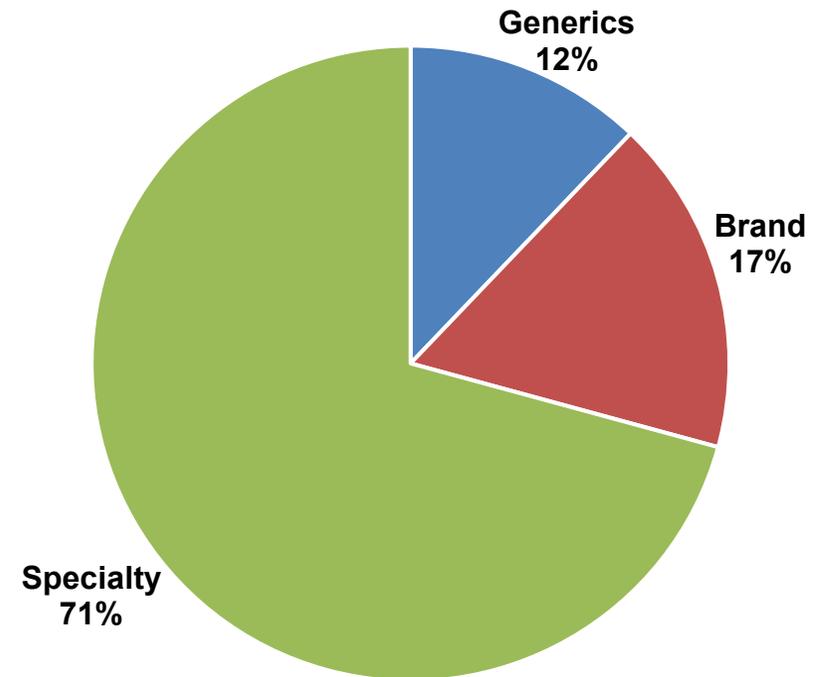


## See the report for detail regarding Cost and Utilization – 2024 Calendar Year

### Percentage of Prescriptions



### Percentage of Spending



- *Generic drugs comprise 85% of prescriptions and 12% of spending*
- *Specialty drugs comprise 4% of prescriptions and 71% of spending*

# Top three most prescribed prescription drugs in each category for 2024

- **Top 3 Specialty**

- Mounjaro (blood glucose regulator) #5 in annual spend category
- Wegovy (blood glucose regulator) #6 in annual spend category
- Zepbound (blood glucose regulator) #13 in annual spend category

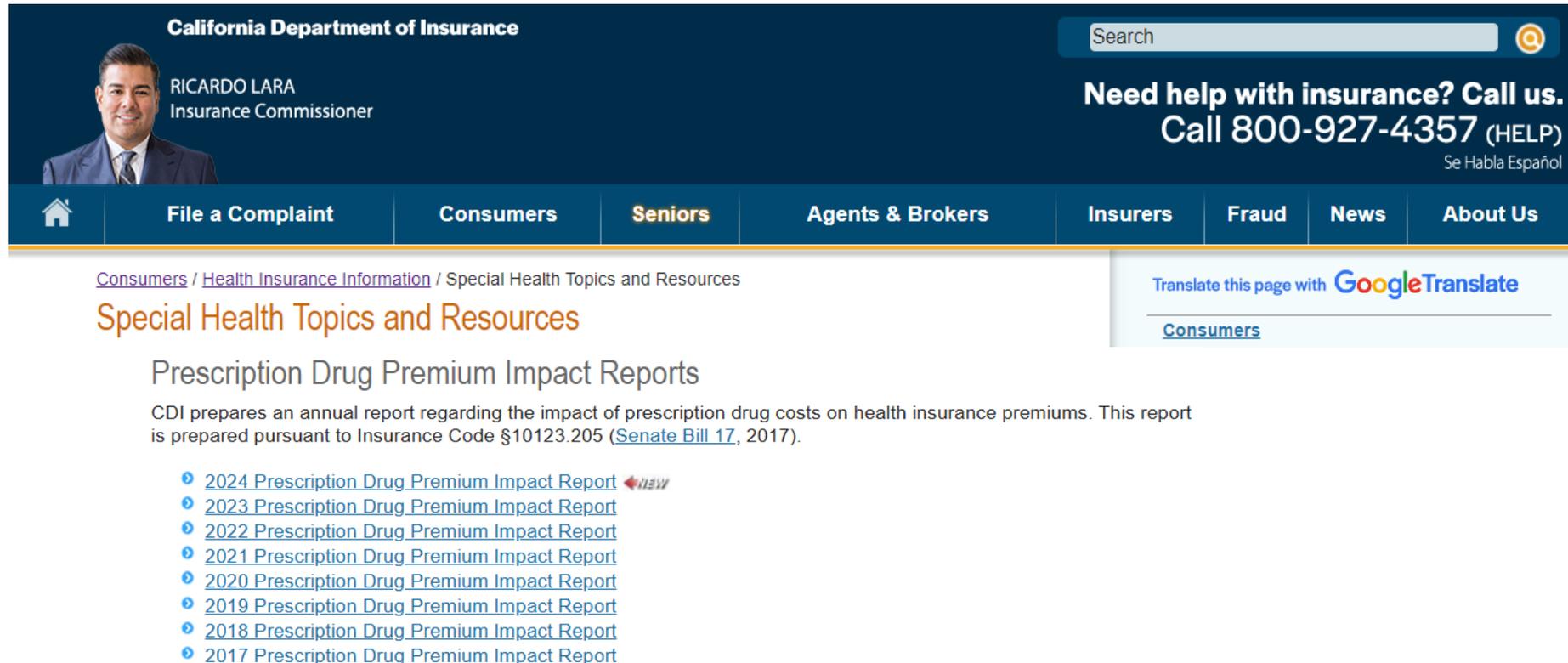
- **Top 3 Brand**

- Comirnaty (COVID-19 vaccine) #6 in annual spend category
- Flucelvax Quadrivalent (Influenza vaccine)
- Ozempic (blood glucose regulator) #1 in annual spend category; #4 in most prescribed specialty and #11 in specialty annual spend category

- **Top 3 Generic**

- Atorvastatin (“Lipitor”) (cholesterol control) #4 in annual spend category
- Levothyroxine (“Synthroid”) (thyroid replacement)
- Escitalopram (“Lexapro”) (antidepressant) #14 in annual spend category

**Full Report Available at:**  
[www.insurance.ca.gov](http://www.insurance.ca.gov)  
**search for**  
**“Special Health Topics and Resources”**  
**Report is at bottom of page**



**California Department of Insurance**

RICARDO LARA  
Insurance Commissioner

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**Prescription Drug Premium Impact Reports**

CDI prepares an annual report regarding the impact of prescription drug costs on health insurance premiums. This report is prepared pursuant to Insurance Code §10123.205 ([Senate Bill 17](#), 2017).

- [2024 Prescription Drug Premium Impact Report](#) 
- [2023 Prescription Drug Premium Impact Report](#)
- [2022 Prescription Drug Premium Impact Report](#)
- [2021 Prescription Drug Premium Impact Report](#)
- [2020 Prescription Drug Premium Impact Report](#)
- [2019 Prescription Drug Premium Impact Report](#)
- [2018 Prescription Drug Premium Impact Report](#)
- [2017 Prescription Drug Premium Impact Report](#)

# THANK YOU

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# Office of Health Care Affordability Perspective

Vishaal Pegany, Deputy Director, Office of Health Care  
Affordability



Office of Health Care Affordability  
Department of Health Care Access and Information

# Office of Health Care Affordability Perspective

Public Meeting on Health Care Premium Rates  
and Prescription Drug Costs  
March 11, 2026

Vishaal Pegany, Deputy Director



# Overview: Department of Health Care Access & Information (HCAI)

# HCAI Mission



**HCAI expands access to quality, equitable, affordable health care for all Californians by supporting high value delivery systems, resilient health facilities and workforces, and actionable health information and strategies.**

# HCAI Program Areas

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**Facilities:** Monitor the construction, renovation, and seismic safety of California's hospitals and skilled nursing facilities.

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**Financing:** Provide loan insurance for nonprofit healthcare facilities to develop or expand services.

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**Workforce:** Promote a culturally competent and linguistically diverse health workforce.

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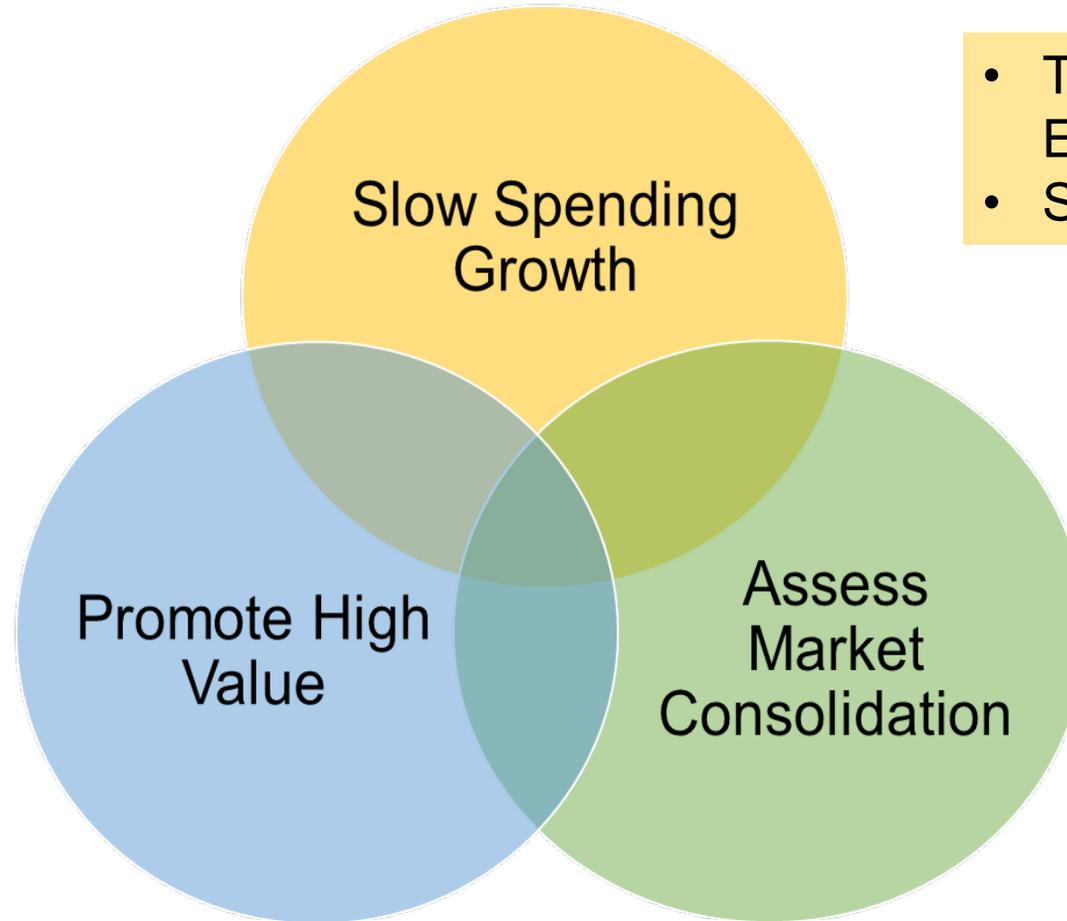
**Data:** Collect, manage, analyze and report information about California's healthcare landscape.

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**Affordability:** Improve health care affordability through data analysis, spending targets, and measures to advance value. Enforce hospital billing protections, and provide generic drugs at a low, transparent price.

# OHCA – Key Components

- Alternative Payment Models
- Primary Care
- Behavioral Health
- Workforce Stability
- Equity & Quality Measures

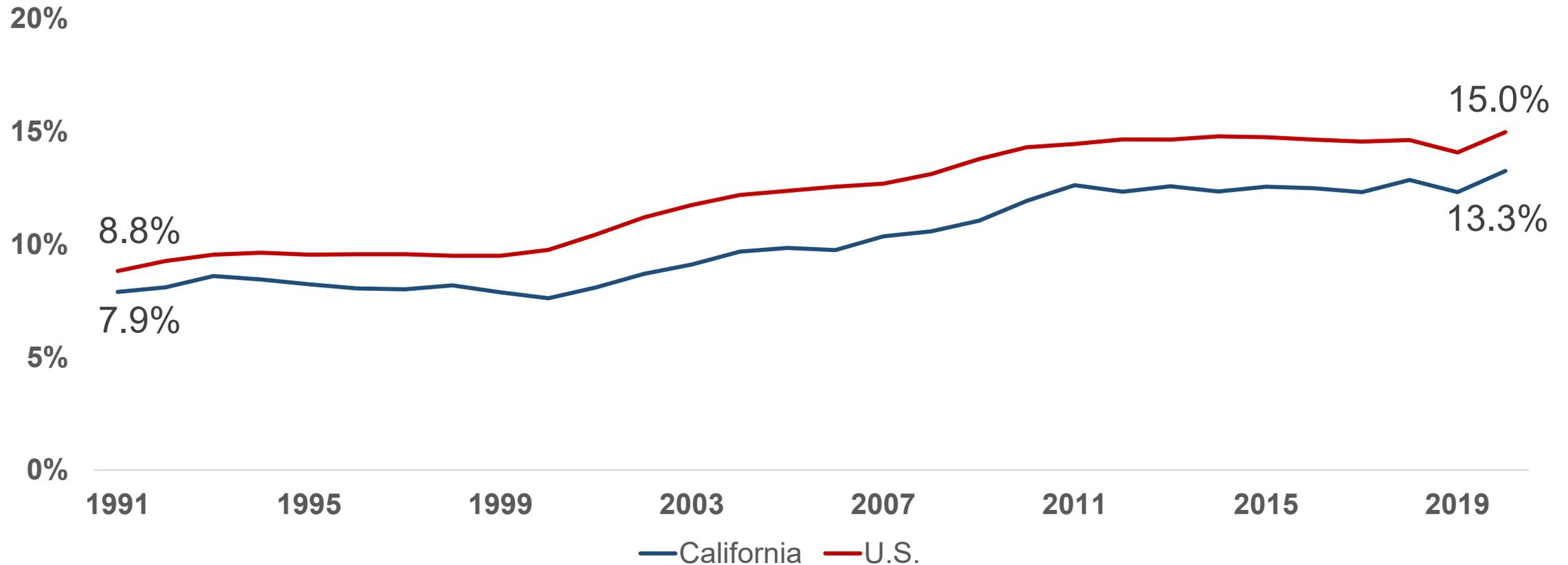


- Total Health Care Expenditures (THCE)
- Spending Targets

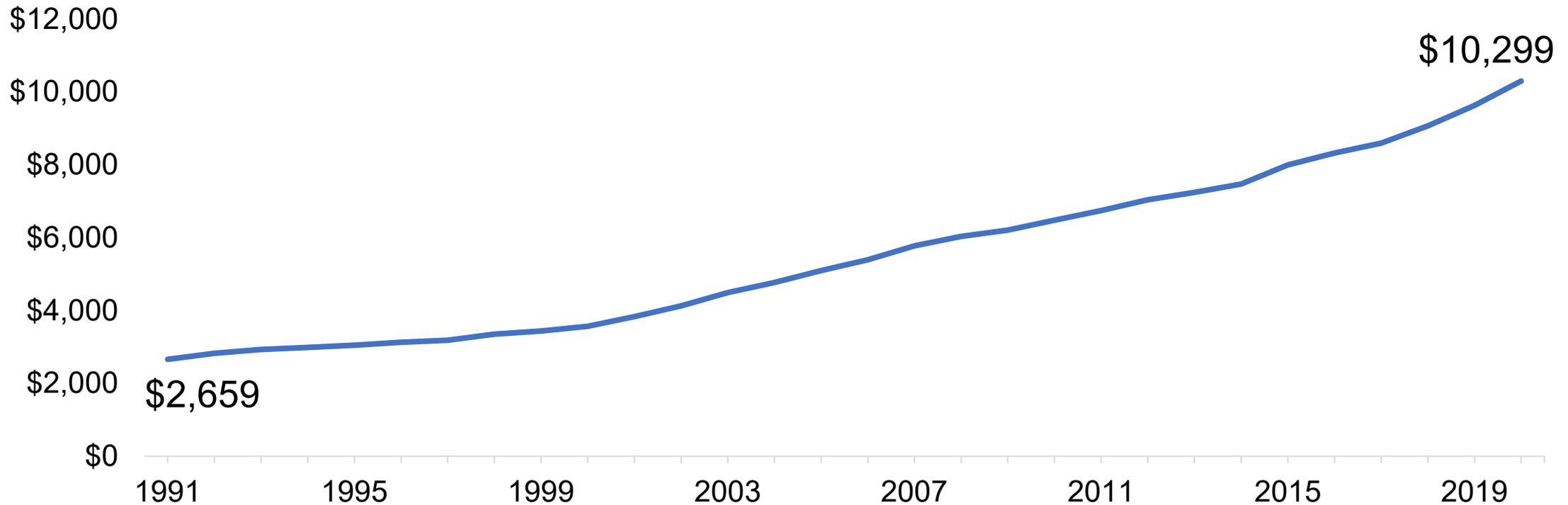
- Material Change Notices
- Cost and Market Impact Reviews

# Context for OHCA: National and State Health Care Spending Trends

# Per Capita Health Care Spending as a Percent of Median Income: CA & US 1991-2020



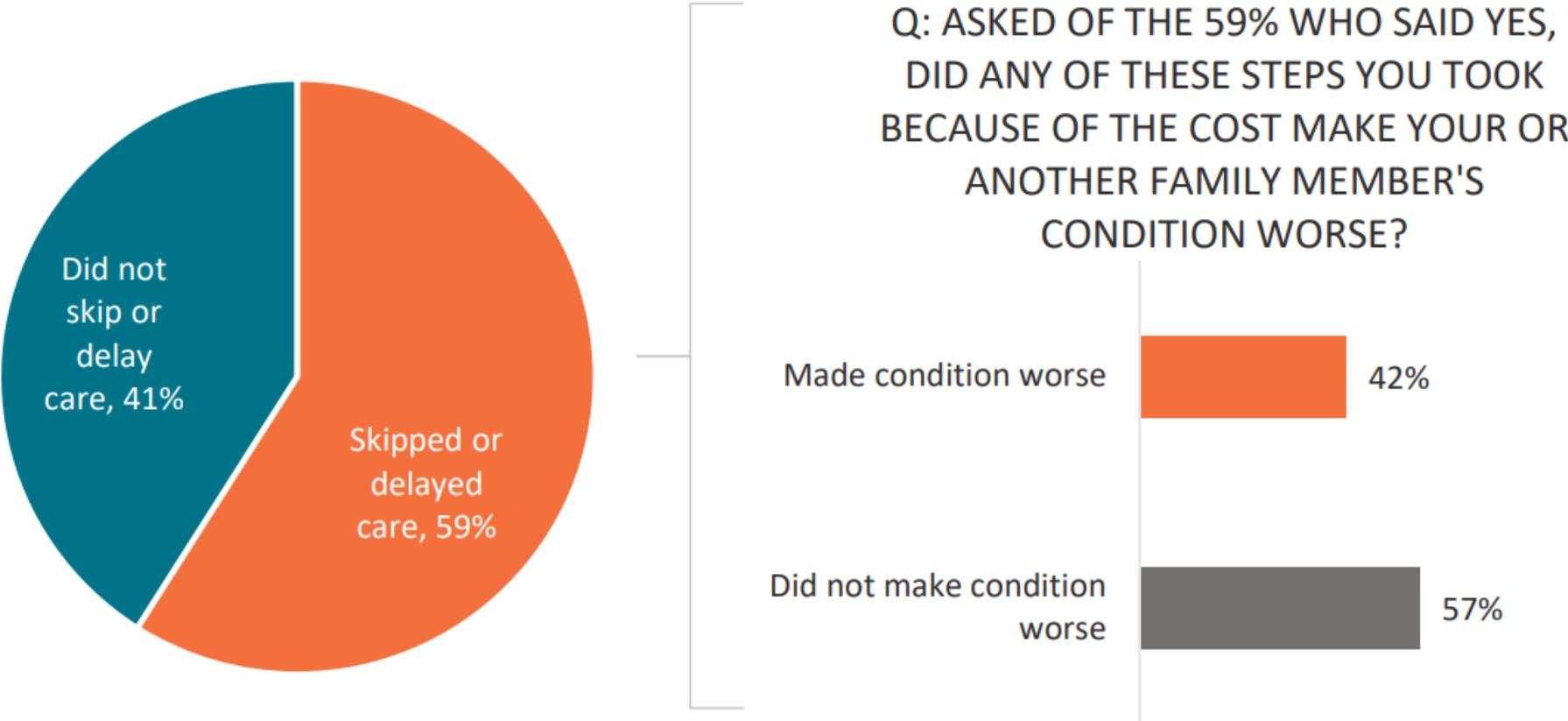
# Per Capita Health Spending in California 1991-2020



- California health care spending reached \$10,299 per capita in 2020.
- Average annual growth between 1991 and 2020 was 4.8%.

# Six in 10 Californians are Postponing or Skipping Care Due to Cost

Figure 21. Six in 10 Californians Report Skipping or Delaying Care Due to Cost; 4 in 10 of Those Say Skipping Care Made Their Condition Worse



# OHCA Spending Targets

# Statewide Health Care Spending Target

In April 2024, the Health Care Affordability Board established a base 3% spending target for performance year 2029, based on the average annual rate of change in historical median household income growth from 2002-2022, **signaling that health care spending should not grow faster than the income of California families.**

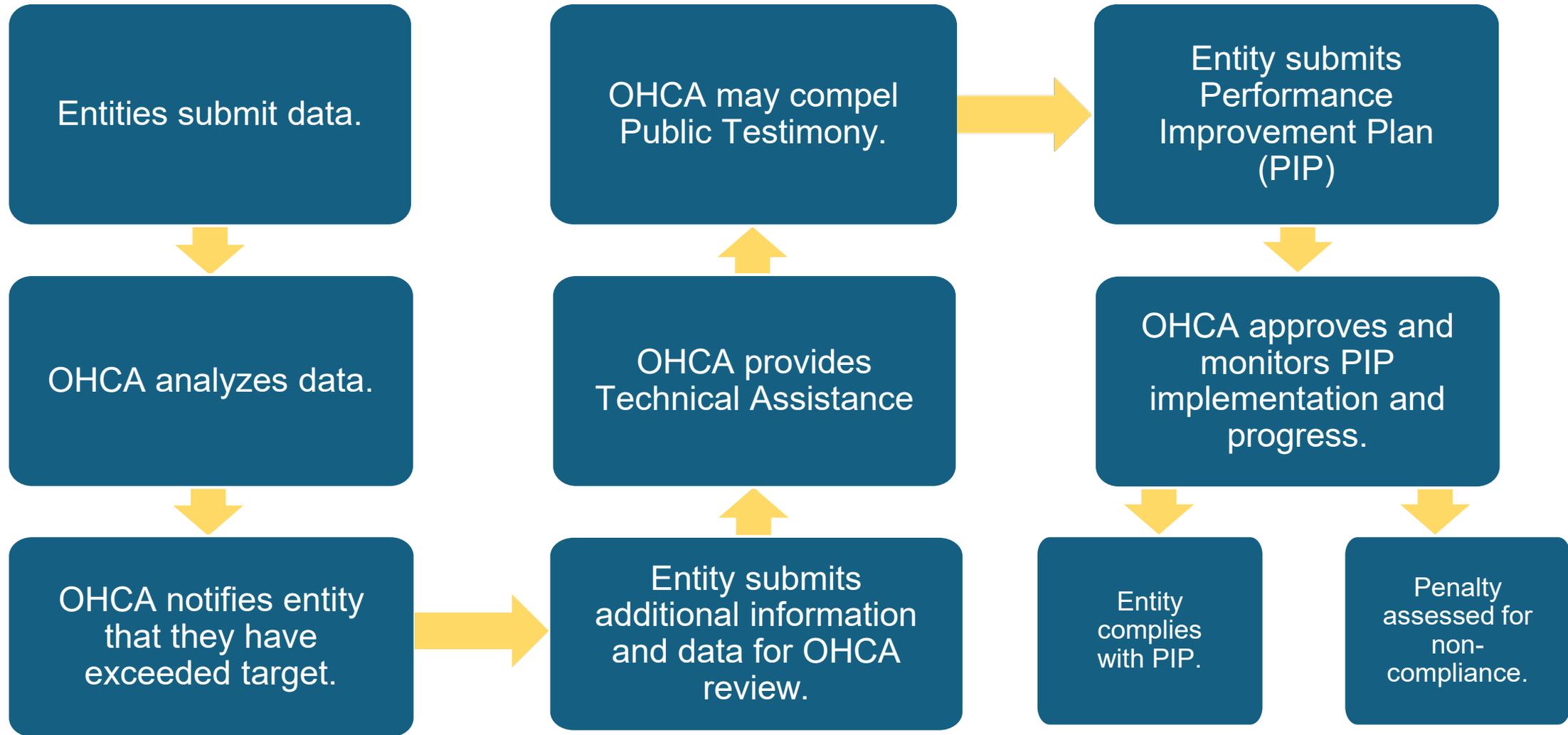
Performance Year	Per Capita Spending Growth Target
2025	3.5%
2026	3.5%
2027	3.2%
2028	3.2%
2029	3.0%

# Target Values for High-Cost Hospitals

Hospital*	2026	2027	2028	2029
Community Hospital of The Monterey Peninsula	1.8%	1.7%	1.7%	1.6%
Doctors Medical Center – Modesto	1.8%	1.7%	1.7%	1.6%
Dominican Hospital	1.8%	1.7%	1.7%	1.6%
Salinas Valley Memorial Hospital	1.8%	1.7%	1.7%	1.6%
Santa Barbara Cottage Hospital	1.8%	1.7%	1.7%	1.6%
Stanford Health Care	1.8%	1.7%	1.7%	1.6%
Washington Hospital – Fremont	1.8%	1.7%	1.7%	1.6%

\*All other hospitals in the sector and health care entities are subject to the statewide spending target.

# Progressive Enforcement Process



Note: Entities assessed a penalty may appeal an Administrative Law Judge decision.

## DMHC Premium Rate Review



DMHC's rate review is prospective and evaluates assumptions about projected medical costs and trends, utilization and administrative costs for the coming year.

## OHCA Spending Target Enforcement



### Data Collection

OHCA conducts a retrospective review of *actual* health care expenditure data, i.e., spending that was incurred.



### Reporting

OHCA reports annual spending that occurred two years prior using data collected one year prior.



### Progressive Enforcement

Begins in 2028 for the spending growth between 2025-2026.

## OHCA / DMHC Feedback Loop



OHCA will consult with DMHC prior to taking enforcement.

DMHC considers the impact of targets on health care costs during rate review.

Prospective

Retrospective

# OHCA Data Collection, Reporting and Cost Driver Analyses

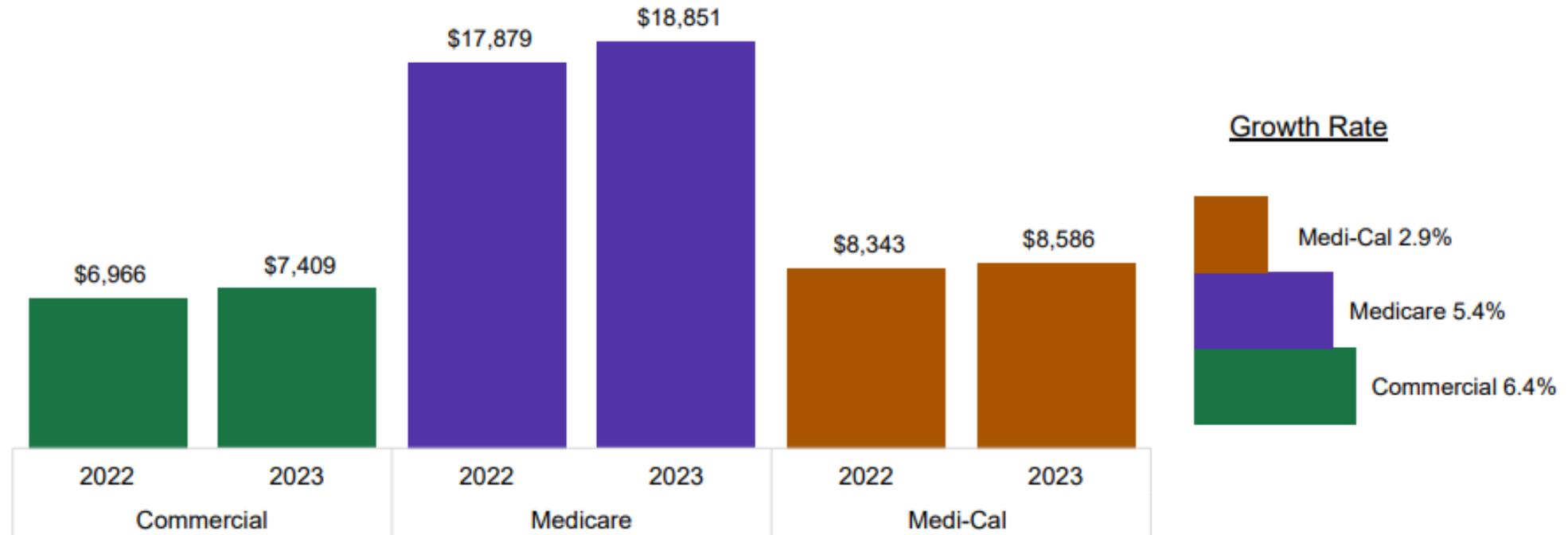
# Baseline Report Key Findings

Health care spending in California reached \$408 billion in 2023.

## Total Health Care Expenditures (THCE)

- Commercial health care spending per member per year was \$6,966 in 2022 and \$7,409 in 2023, **an increase of \$443 or 6.4%**.
- Medicare had the highest spending per member per year at \$17,879 in 2022 and \$18,851 in 2023, **an increase of \$972 or 5.4%**.
- Medi-Cal spending per member per year was \$8,343 in 2022 and \$8,586 in 2023, **an increase of \$243 or 2.9%**.
- When combining market level spending with other state and federal health care program spending, statewide THCE totaled \$377.6 billion in 2022 and \$408.6 billion in 2023, **an increase of \$31.0 billion or 8.2%**.

# Total Health Care Spend Per Member Per Year Spending Growth by Market, 2022-2023



Note: THCE includes spending on medical services and health plan administrative costs and profits. Medicare includes both Medicare FFS (including duals) and Medicare Advantage (including duals and D-SNPs). Spending for Dual Eligibles in Medicare Advantage and D-SNPs, and Medicare FFS excludes administrative costs and profits. Medi-Cal includes both Medi-Cal FFS and Managed Care. Medi-Cal FFS does not include administrative costs. D-SNP = dual eligible special needs plans; FFS = fee-for-service

# Cost Driver Analysis

- In its June 2025 baseline report on health care spending, OHCA documented that total medical expenses per member per year (TME PMPY) increased by 5% from 2022 to 2023 in the commercial market.
- In its January 2026 cost driver analysis, *Exploring Drivers of California Health Care Spending Across Commercial Payers*, OHCA built upon the baseline report using claims data from the California's Health Care Payments Database (the state's all-payer claims database) to analyze spending components by payer in the commercial market.
- The analysis examined average age, service utilization, and prevalence of chronic conditions among commercial enrollees as potential explanatory factors of spending growth by payer between 2022 and 2023.

# Cost Driver Analysis: Key Findings

- On average, commercial plans saw no meaningful change in the average age of their members between 2022 and 2023.
- All commercial payers saw a decrease in the share of members who utilized health care services from 2022 to 2023.
- 4 out of 13 commercial payers saw a decrease in chronic condition prevalence among members who accessed care, while the remaining payers show an increase in the share of members with chronic conditions between 2022 and 2023, ranging from 0.5% to 5.4%.
- Given that utilization of care decreased for all the commercial payers from 2022 to 2023, the growth in TME PMPY is likely due to higher prices or intensity of utilization, which OCHA will explore in future analyses.

# Upcoming Reports

## 2026 Interim Report: Health Care Spending Trends in California 2023-2024

The interim report will:

- Present health care spending and growth in California for calendar years 2023 and 2024, showing overall spending across those two years, as well as spending change between those years at the statewide level and by market, payer, region, and service category.
- Provide a second assessment of health care spending in California, prior to the statewide spending target taking effect for performance years 2025-2029.
- Include per capita and per member per year (PMPY) growth rates, in addition to overall health care spending.

# Promoting High-Value System Performance

# Promoting High Value System Performance: Focus Areas

## Primary Care Investment

- Define, measure, and report on primary care spending
- Establish a benchmark for primary care spending

## Behavioral Health Investment

- Define, measure, and report on behavioral health spending
- Establish a benchmark for behavioral health spending

## Alternative Payment Model Adoption

- Define, measure, and report on alternative payment model adoption
- Set standards for APMs to be used during contracting
- Establish a goal for APM adoption

## Quality and Equity Performance

- Develop, adopt, and report performance on a single set of quality and health equity measures

## Workforce Stability

- Develop and adopt standards to advance the stability of the health care workforce
- Monitor and report on workforce stability measures

# Milestones for Promoting High Value in the Health Care System

- OHCA's Alternative Payment Model (APM) standards and adoption goals were approved in June 2024.
  - OHCA will report on 2023-24 APM adoption by payers in summer 2026.
- In October 2024, OHCA's recommended benchmarks for primary care investments were approved to address historic underinvestment by shifting greater health care resources toward primary care, and to promote improved outcomes.
  - OHCA will report on 2023-24 primary care spending in summer 2026.
- OHCA adopted its Quality and Equity Measure Set in April 2025.
- OHCA is currently finalizing its approach to measuring behavioral health spending as a percent of total health care spending.
  - Data collection will begin September 2026.

# Upcoming Reports

## 2026 Report: Promoting High-Value Health Care in California, 2023-2024\*

This report will:

- Present Alternative Payment Model (APM) adoption in California for calendar years 2023 and 2024, showing members by payment arrangement and percent change across those years at the statewide level and by market
  - Show percent of members attributed to HCP-LAN Categories 3 and 4 arrangements\*\* linked to quality by payer, line of business, and product type
- Present primary care spending in California for calendar years 2023 and 2023, showing overall spending and spending change across those two years at the statewide level and by market
  - Show percentage point change in primary care spending as a percent of total medical expense across those two years by payer, line of business, and product type
- Provide an initial assessment of APM adoption and primary care investment levels, prior to adoption and investment goals taking effect for 2024-2025 data

\* Tentative report title, may change

\*\*Category 3: shared savings/shared risk payment arrangements; Category 4: capitation and full-risk payment arrangements

# Addressing Health Care Market Consolidation

# Material Change Notices and Reviews

- Health care entities must provide 90-days advance notice to OHCA of a material change transaction for review. As specified in OHCA's regulations, material change transactions include mergers, acquisitions, and corporate affiliations involving health care entities.
- OHCA will determine within 60-days whether the agreement or transaction must undergo a Cost and Market Impact Review (CMIR). Waivers from a CMIR will be issued within 45 days.
- OHCA will conduct a CMIR for transactions likely to impact costs, access, quality, labor, or market concentration.
- To date, OHCA has reviewed over 40 transactions with two CMIRs currently pending.
- OHCA [maintains a public list](#) of past and ongoing material change notices and a list of [FAQs](#). Additional questions may be submitted to [CMIR@hcai.ca.gov](mailto:CMIR@hcai.ca.gov).

# AB 1415: Amends the Health Care Quality & Affordability Act

Assembly Bill 1415:

- Starting January 1, 2026, AB 1415 expands noticing requirements to additional entities:
  - Private Equity Groups and Hedge Funds.
  - Newly created business entities formed for the purpose of entering transactions with a health care entity.
  - Management Service Organizations.
  - Entities that own, operate, or control a provider, regardless of whether provider is currently operating, providing health care services, or has a pending or suspended license.
  - Defines Private Equity Groups, Hedge Funds and MSOs.
  - Authorizes OHCA to collect data and information from MSOs.

OHCA is currently developing regulations that defines the filing thresholds and requirements for MSOs, private equity groups, and hedge funds.

# OHCA

Office of Health Care Affordability  
Department of Health Care Access and Information

# Appendix

# Consideration of Spending Target During Premium Rate Review

## **Health and Safety Code Section 1385.035**

(a) It is the intent of the Legislature in enacting this section to ensure that enrollees and subscribers benefit from reductions in the rate of growth in health care costs as a result of the establishment of the Office of Health Care Affordability.

(b) In submitting rates for review consistent with this article, a health care service plan shall demonstrate the impact of any changes in the rate of growth in health care costs resulting from the health care cost targets set pursuant to Chapter 2.6 (commencing with Section 127500) of Part 2 of Division 107.

(c) In determining whether a rate is unreasonable or not justified, the director shall consider the impact on changes in health care costs as a result of the health care cost targets set pursuant to Chapter 2.6 (commencing with Section 127500) of Part 2 of Division 107.

# Consideration of Spending Target During Premium Rate Review

## **Insurance Code Section 10181.35**

(a) It is the intent of the Legislature in enacting this section to ensure that insureds benefit from reductions in the rate of growth in health care costs as a result of the establishment of the Office of Health Care Affordability.

(b) In submitting rates for review consistent with this article, a health insurer shall demonstrate the impact of any changes in the rate of growth in health care costs resulting from the health care cost targets set pursuant to Chapter 2.6 (commencing with Section 127500) of Part 2 of Division 107 of the Health and Safety Code.

(c) In determining whether a rate is unreasonable or not justified, the commissioner shall consider the impact on changes in health care costs as a result of the health care cost targets set pursuant to Chapter 2.6 (commencing with Section 127500) of Part 2 of Division 107 of the Health and Safety Code.

# Public Comment

**1-888-466-2219**

HAVE A PROBLEM WITH YOUR HEALTH PLAN?  
CONTACT THE DMHC HELP CENTER

**DMHC.ca.gov**

*Public comments may be submitted until 5 p.m. on March 18, 2026 to [publiccomments@dmhc.ca.gov](mailto:publiccomments@dmhc.ca.gov)*

# Closing Remarks

**Amanda Levy, Deputy Director  
Health Policy and Stakeholder Relations**