DEPARTMENT OF
Managed
Health Care

Large Group Aggregate Rates and Prescription Drug Costs Report

Measurement Year 2023

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I. Executive Summary

The California Department of Managed Health Care (DMHC) protects consumers' health care rights and ensures a stable health care delivery system. As part of this mission, the DMHC licenses and regulates health care service plans (health plans) under the Knox-Keene Health Care Service Plan Act of 1975. The DMHC regulates most commercial health plans and products in the large group, small group, and individual markets, including all of the health plans that participate in Covered California. The DMHC also regulates most Medi-Cal managed care plans, Medicare Advantage plans, and specialized health plans, including dental and vision plans.

Senate Bill (SB) 546 (Leno, 2015), Health and Safety Code section 1385.045, required health plans that offer commercial large group products to annually submit aggregate rate information and the weighted average rate increase for all large group benefit designs during the 12-month period ending January 1 of the following calendar year. Additionally, large group renewal notices delivered by health plans must include a statement comparing its proposed rate change to the average rate increases negotiated by the California Public Employees' Retirement System (CalPERS) and by Covered California. The DMHC is also required to conduct a public meeting regarding large group rate changes in even-numbered years.

Health plans first submitted their large group aggregate rate information in October 2016. The DMHC held its first public meeting on large group aggregate rates in February 2017.

In 2017, SB 17 (Hernandez, 2017), Health and Safety Code section 1367.243, additionally required health plans that file annual large group rate information with the DMHC to file specified information regarding health plan spending and year-over-year cost increases for covered prescription drugs. Since measurement year 2018, large group health plans have submitted prescription drug cost information as required by SB 17 in addition to aggregate rate information.

This report summarizes the large group aggregate rate information and analyzes the impact of the cost of prescription drugs on health plan premiums in the large group market for measurement year 2023, including comparisons over the course of the eight reported years. For measurement year 2023, 23 health plans submitted large group aggregate rate and prescription drug cost information.

Key Findings[1,2]

Large Group Aggregate Rates

- In 2023, nearly 7.8 million enrollees in 14,565 renewing groups were affected by the rate changes. The overall average premium per member per month (PMPM) was $589.
- Overall, the weighted average rate increase for the large group health plans was 6.5% in 2023, which is the highest rate increase for large group since this report was first produced.
- From 2017 to 2023, the average annual rate increase remained below 7%.
- A comparison of these average rate increases to those of Covered California and CalPERS since 2017 shows that the annual average rate increases for the statewide large group market ranged from 3.6% to 6.5%, compared to Covered California which ranged from 0.5% to 21.1%[3] and CalPERS which ranged from 1.1% to 10.9%.
- About 72% of covered enrollees were in benefit plans that had an actuarial value[4] of 90% or higher, which is the category with the richest benefits. Almost 92% of covered enrollees were in plans with an actuarial value of 80% or higher.
- While only 10.5% of groups were experience rated, the experience rated groups accounted for roughly 72% of total covered enrollees. In contrast, 89.5% of groups were either blended or community rated, accounting for approximately 28% of the total covered enrollees.

[1] The information in this report relies on the data submitted by the health plans.
[2] The analysis in this report does not include the information for the five In-Home Supportive Services (IHSS plans). The five IHSS plans had 68,531 enrollees as of December 31, 2023. The rate development process for IHSS plans differs from traditional large group health plans, which utilizes community rated, experience rated or blended rate development methodologies. For IHSS products, the county and the IHSS plans determine the rates which are based on the anticipated costs for providing services to the IHSS enrollees.
[3] Covered California experienced double-digit rate increases for the individual market products in 2017 and 2018 due to changes at the federal level. In 2017, the Affordable Care Act's Reinsurance and Risk Corridor programs ended. In 2018, rate charges were considerably larger than usual due to the uncertainty regarding cost sharing reduction funding from the federal government. Additionally, in 2019, the federal individual mandate ended, which resulted in slightly higher premium increases.
[4] The percentage of total average costs for covered benefits that a plan will cover. For example, if a plan has an actuarial value of 80%, on average, the enrollee/member would be responsible for 20% of the costs of all covered benefits.

Large Group Prescription Drug Costs[5]

- Prescription drug expenses, net of manufacturer rebates, accounted for $78.76, or 13.6%, of health plan premiums on a PMPM basis in 2023.

- Prescription drug costs for large group health plans increased by 7.2% in 2023, whereas medical expenses increased by 11.1%. Overall, health plan premiums increased by 6.7% from 2022 to 2023.

- The percentage of premiums spent by large group statewide health plans on prescription drugs ranged from 10.1% to 22.6%. The regional plans spent 16% of premiums on prescription drugs.

- Manufacturer drug rebates totaled approximately $1.2 billion, up from $899 million in 2022. These rebates helped mitigate some of the overall impact of rising prescription drug prices by reducing total health plan premiums by 2.3% in 2023.

- All 23 health plans, including IHSS plans, utilized pharmacy benefit managers[6] (PBMs): 23 health plans used PBMs for claims processing; 15 health plans used PBMs for utilization management, 14 health plans used PBMs for provider disputes resolution; and five health plans used PBMs for enrollee grievances.

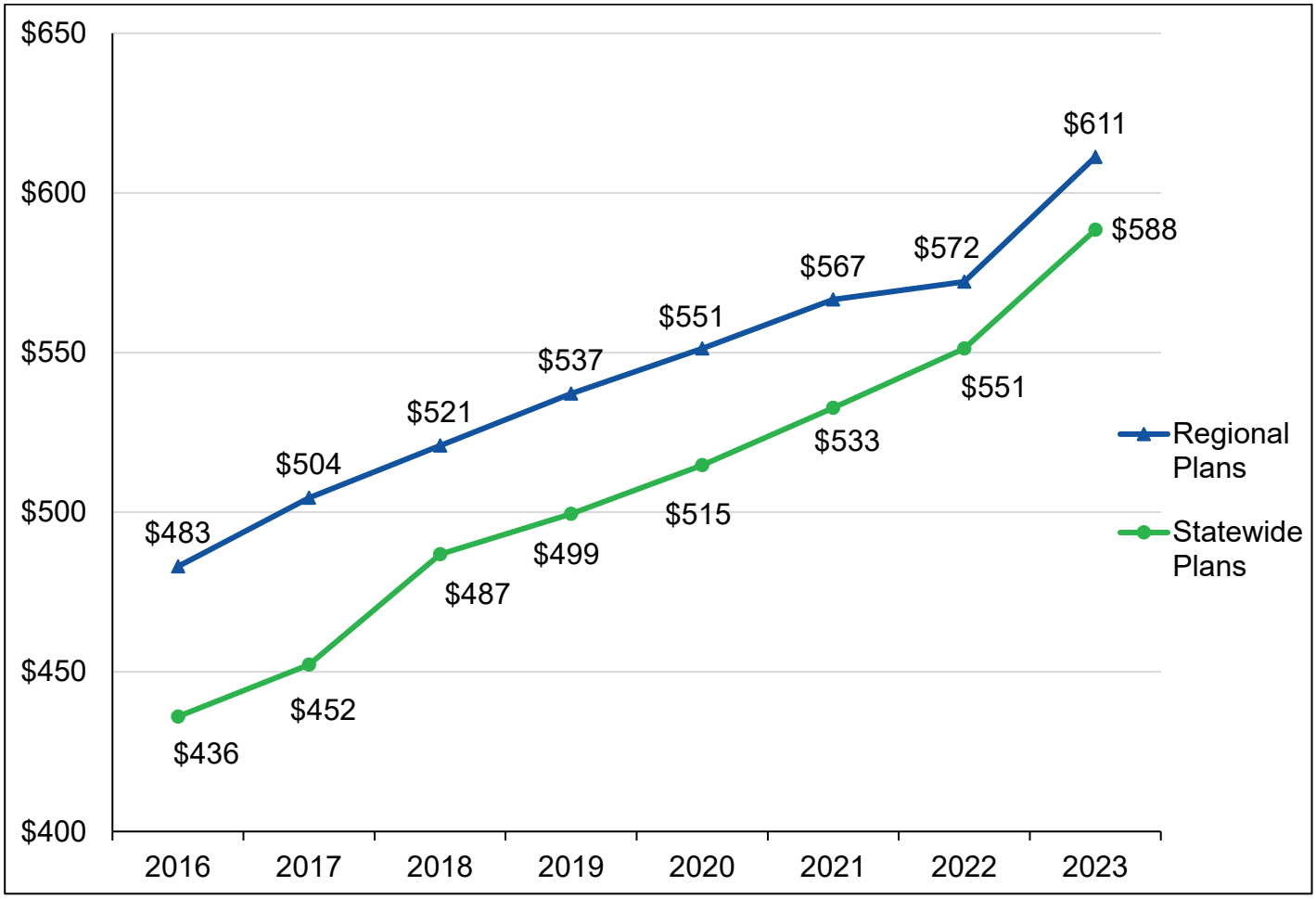
[5] Includes premium, medical expenses and prescription cost information for only large group products with prescription drug benefits.

[6] A pharmacy benefit manager is an organization dedicated to administering prescription benefit management services to employers, health plans, third-party administrators, union groups, and other plan sponsors. A full-service PBM maintains eligibility, adjudicates prescription claims, provides clinical services and customer support, contracts and manages pharmacy networks, and provides management reports.

Chart 1 illustrates the average premium[7] PMPM[8] for regional[9] and statewide[10] plans from 2016 to 2023. During this period, the average premium PMPM increased by 27% for regional plans and 35% for statewide plans. On an annualized basis, the premium for regional plans increased by 3.4% per year and the premium for statewide plans increased by 4.4% per year on average.

Chart 1

Yearly Trend Analysis: Average Large Group Premium Per Member Per Month Since 2016

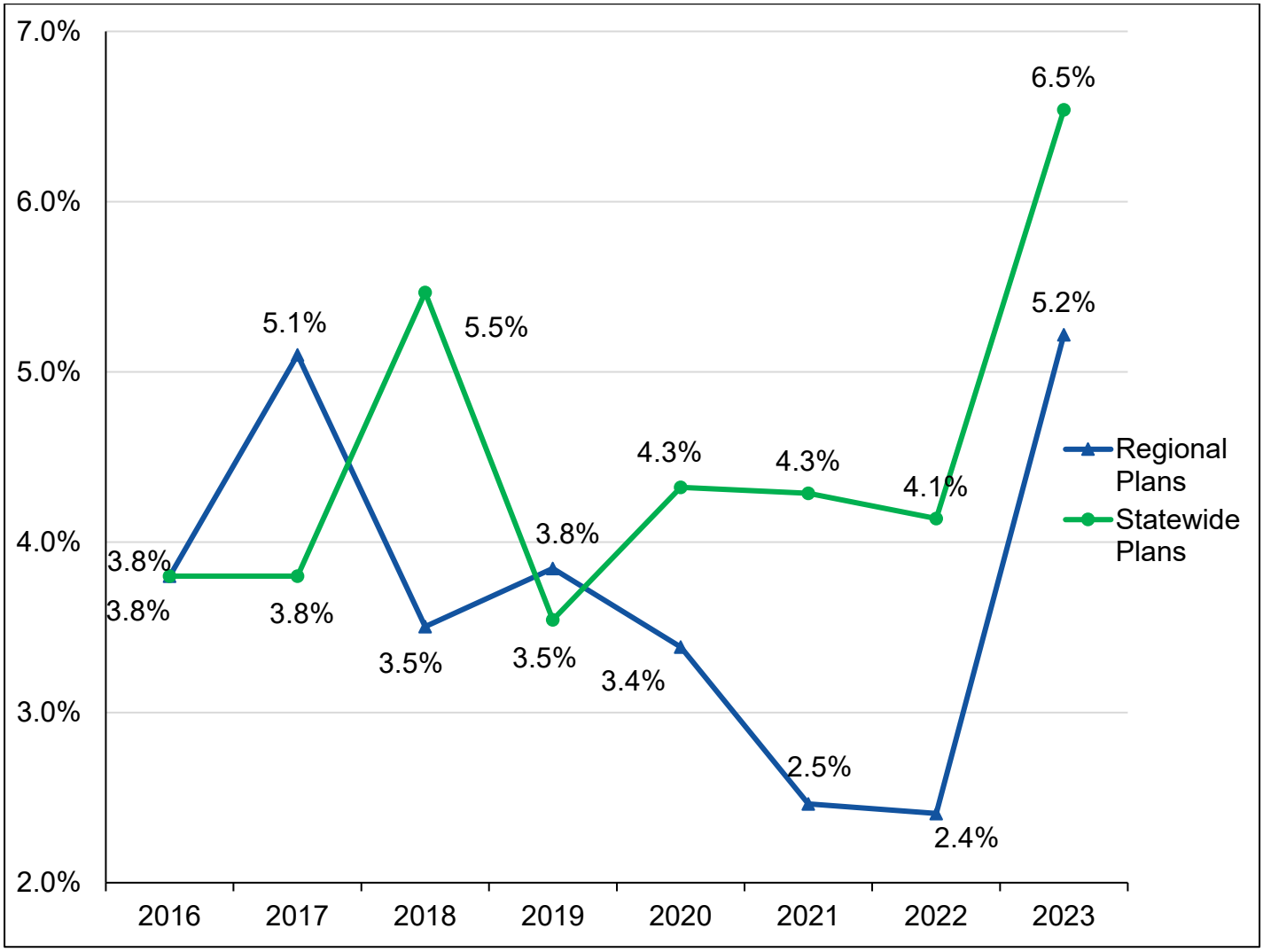


[7] Premium is the monthly payment the enrollee and/or enrollee's employer pays for health coverage. Factors that impact large group premium rates include age, geography/location, family size, occupation/industry and health status (historical experience and utilization of medical services).
[8] Per member per month is a measure used to assess population-based metrics such as cost or utilization, computed by dividing the total monthly cost/utilization/other measure by the total number of member months for the population over a specific time period.
[9] Regional plans are health plans that primarily operate and offer health care products to enrollees in specific regions.
[10] Statewide plans, as their name implies, operate and offer health care products to enrollees in multiple regions throughout the state.

Chart 2 shows the weighted-average rate increase trend[11] from 2016 to 2023. The premium rate increases on average have fluctuated from 2016 to 2023 but have remained below 7% each year. In 2023, the increases for statewide plans were higher on average than they have been in any year over this period; regional increases, while lower than statewide, increased by almost 3% over 2022.

Chart 2

Weighted-Average Rate Increase Trend



[11] Not adjusted for changes in such things as benefits, cost sharing, provider network, geographic rating area, and average age.

Health plans are required to include information in their notice of premium rate change indicating whether the rate change is greater than the average increase for CalPERS and Covered California. Table 1 shows the side-by-side comparison of the rate increases for Covered California individual market products, CalPERS, and the large group statewide health plans since 2016.

Table 1

Rate Increases for Covered California, CalPERS and Large Group Plans

Year	Covered California[12]	CalPERS	Large Group Plans
2016	4.0%	7.7%	3.9%
2017	13.2%	3.9%	3.9%
2018	21.1%	2.5%	5.4%
2019	8.7%	1.1%	3.6%
2020	0.8%	5.1%	4.3%
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%	Not Available

[12] Covered California experienced double-digit rate increases for the individual market products in 2017 and 2018 due to changes at the federal level. In 2017, the Affordable Care Act's Reinsurance and Risk Corridor programs ended. In 2018, rate charges were considerably larger than usual due to the uncertainty regarding cost sharing reduction funding from the federal government. Additionally, in 2019, the federal individual mandate ended which resulted in slightly higher premium increases.

II. Introduction/Background

In 2015, California enacted SB 546 for the purpose of increasing transparency of rates in the large group market. SB 546 required health plans and health insurers that offer commercial large group products to submit aggregate rate information and the weighted-average rate increase for all large group benefit designs during the 12-month period ending January 1 of the following calendar year to the DMHC or the California Department of Insurance (CDI) by October 1, 2016, and annually thereafter. In addition, SB 546 required health plans to comply with disclosure requirements relating to large group renewal notices. Specifically, no change in premium rates or changes in coverage stated in a group health plan contract can become effective unless the plan has delivered a notice in writing indicating the change or changes at least 60 days prior to the contract renewal effective date including a statement comparing the proposed rate change to the average rate increases negotiated by CalPERS and by Covered California.

The DMHC is required to conduct a public meeting regarding large group rate changes. Additionally, to further increase transparency of large group rates, Assembly Bill (AB) 731[13] (Kalra, 2019) established a rate review process for the large group market. Effective July 1, 2020, health plans with large group products must file specified information at least annually and 120 days before any change in methodology, factors or assumptions that would affect the rate paid by a large group employer or contract holder.

For measurement year 2023, 23 large group health plans submitted data which includes eight statewide plans, ten regional plans and five IHSS plans. Roughly 7.7 million enrollees (out of around 7.8 million enrollees in total) in roughly 14,600 renewing groups were affected by the rate changes.

In addition, SB 17 required health plans that file annual large group rate information with the DMHC and CDI to also file specified information regarding health plan spending and year-over-year cost increases for covered prescription drugs. SB 17 also required large group health plans to provide the names of the PBMs they utilize and their functions.

Under a separate statutory requirement, health plans and health insurers that offer commercial products and file rate information with the DMHC or the CDI are required to annually report specific information related to the costs of covered prescription drugs, including:

- The 25 prescription drugs most frequently prescribed to health plan enrollees;
- The 25 most costly prescription drugs by total annual health plan spending;
- The 25 prescription drugs with the highest year-over-year increase in total annual health plan spending; and
- The overall impact of drug costs on healthcare premiums.

This information is reported in the Prescription Drug Cost Transparency Report required by SB 17 which can be found on the DMHC website.

[13] The filings submitted by health plans pursuant to AB 731 are available on the DMHC website and are not discussed in this report.

III. Large Group Aggregate Rate Summary

The DMHC received the aggregate rate filings from 23 health plans for measurement year 2023, including eight statewide plans, ten regional plans and five IHSS plans. The analysis in this report excludes the rate information for the IHSS plans because the rate development process for IHSS plans differs from traditional large group health plans, which utilize community rated, experience rated or blended rate development methodologies. For IHSS products, the county and the IHSS plans determine the rates which are based on the anticipated costs for providing services to the IHSS enrollees. The five IHSS plans had roughly 68,500 enrollees (with about 55,900 receiving no rate change) as of December 31, 2023; this represents less than 1% of the large group enrollment. The remaining 18 health plans served nearly 7.8 million enrollees. Kaiser Foundation Health Plan, Inc.'s (Kaiser Permanente) enrollment represented 66% of the large group market or 5.1 million of the 7.8 million enrollees. Since Kaiser Permanente's data had such a significant impact on the overall state averages, the data for Kaiser Permanente is often shown on a stand-alone basis throughout this report.

The observations from the 2023 health plan data related to the large group aggregate rates include:

- Nearly 7.8 million enrollees were covered by the large group health plans. The overall average premium per member per month (PMPM) after the rate increases was roughly $589. Overall, the weighted average rate increase for the large group health plans was 6.5% in 2023. (Table 2)

- Statewide plans represent almost 97% of large group membership. The eight statewide plans had about 7.5 million covered enrollees in approximately 13,900 renewing groups in the large group market. Overall, the average unadjusted rate increases in 2023 were generally in the mid or high-single digits. Kaiser Permanente, which had the second lowest overall premium of all statewide plans, made up a significant percentage of the statewide market and therefore heavily impacted the overall average. (Table 3)

- Regional health plans have very small market share compared to the statewide plans. The ten regional plans had about 260,100 covered enrollees in 688 renewing groups in 2023, accounting for about 3.3% of large group market enrollment. Western Health Advantage, Sharp Health Plan, and Sutter Health Plan (Sutter Health Plus) represent the largest of these plans in terms of membership. Most of the rate increases were in the mid-single digits, with the weighted-average increase just over 5%. (Table 4)

- Preferred Provider Organization (PPO) and Point of Service (POS) plans had the highest premium, with an average premium approaching or exceeding $700 PMPM. Overall, Health Maintenance Organization (HMO) plans experienced the lowest average rate increases with a 6.1% increase, and had the second lowest average premium, or $581 PMPM. (Table 5)

- Most members (6.2 million or roughly 79% of large group enrollees) were in HMO plans with actuarial values of at least 80% and therefore, the richest benefits overall. In contrast, High Deductible Health Plans (HDHP) tend to give members a lower premium option with higher out of pocket costs. (Table 6)

Table 2 shows the unadjusted and adjusted average rate increases for all large group health plans (including Kaiser Permanente), Kaiser Permanente and all large group health plans excluding Kaiser Permanente.

Table 2

Average Rate Increase in the Large Group Market in 2023

	Unadjusted Average Rate Increase	Adjusted[14] Average Rate Increase	Number of Enrollees	Average Premium Per Member Per Month (PMPM)
All Plans	6.5%	6.8%	7,774,809	$589.18
Kaiser Permanente	5.9%	5.9%	5,131,373	$572.01
All Plans Excluding Kaiser Permanente	7.6%	8.3%	2,643,436	$622.51

[14] "Adjusted average rate increase" means the unadjusted average rate increases are adjusted or normalized to reflect aggregate changes in benefit designs, cost sharing, provider network, geographic rating region, and average age. In general, changes in benefit designs, cost sharing, provider network, geographic rating region, and average age may result in higher adjusted average rates than unadjusted rates.

Tables 3 and 4 show the average rate increases for the statewide and regional health plans in the large group market.

Table 3

Average Rate Increase in the Large Group Market in 2023 – Statewide Health Plans

Health Plan Name	Number of Renewing Groups	Number of Enrollees	Percentage of Large Group Total	Unadjusted Average Rate Increase	Adjusted Average Rate Increase	Average Premium PMPM
Kaiser Permanente	9,003	5,131,373	66.0%	5.9%	5.9%	$572.01
Anthem Blue Cross	1,365	1,059,384	13.6%	8.0%	9.6%	$597.80
Blue Shield of California	905	482,736	6.2%	8.1%	7.8%	$660.30
Health Net of California	201	266,934	3.4%	6.1%	6.2%	$692.16
UnitedHealthcare Benefits Plan of California	884	206,528	2.7%	10.2%	11.3%	$617.15
UnitedHealthcare of California	636	163,217	2.1%	7.6%	7.8%	$623.23
Aetna Health of California	657	143,849	1.9%	7.7%	8.4%	$554.49
Cigna Healthcare of California	226	60,648	0.8%	7.3%	5.6%	$672.45
Total	**13,877**	**7,514,669**	**96.7%**	**6.6%**	**6.8%**	**$588.42**

Table 4

Average Rate Increase in the Large Group Market in 2023 – Regional Health Plans

Health Plan Name	Number of Renewing Groups	Number of Enrollees	Percentage of Large Group Total	Unadjusted Average Rate Increase	Adjusted Average Rate Increase	Average Premium PMPM
Western Health Advantage	186	64,848	0.8%	3.9%	2.2%	$590.70
Sutter Health Plus	349	68,742	0.9%	4.6%	6.3%	$576.27
Sharp Health Plan	110	56,084	0.7%	3.9%	4.0%	$544.87
Valley Health Plan	2	26,100	0.3%	10.6%	10.6%	$964.04
Scripps Health Plan Services	1	16,304	0.2%	1.5%	1.5%	$489.50
Ventura County Health	1	10,575	0.2%	6.0%	6.0%	$640.09
Community Care Health Plan	13	10,439	0.1%	5.7%	5.7%	$477.55
Contra Costa Health Plan	3	4,732	0.1%	7.5%	7.5%	$908.55
Chinese Community Health Plan	22	2,055	0.0%	5.5%	5.5%	$580.33
MemorialCare Select Health Plan	1	261	0.0%	-0.3%	-0.3%	$548.67
Total	**688**	**260,140**	**3.3%**	**5.3%**	**5.3%**	**$611.24**

Average Rate Increase and Actuarial Value by Product Type

Health plans also reported the average rate increase and actuarial value information by product type. Table 5 shows the weighed-average, minimum, and maximum rate increases and the average premium PMPM across these product types.

Table 5

Average Rate Increase and Premium by Product Type

Product Type	Average Rate Increase	Minimum	Maximum	Average Premium PMPM
Preferred Provider Organization (PPO)	9.4%	6.3%	10.3%	$705.04
Point of Service (POS)	6.4%	0.2%	7.4%	$687.59
Exclusive Provider Organization (EPO)	9.3%	9.2%	9.5%	$640.60
Health Maintenance Organization (HMO)	6.1%	-0.3%	10.6%	$580.66
High Deductible Health Plan (HDHP)	6.7%	4.7%	10.0%	$537.34

Table 6 shows large group market enrollment by product type and actuarial value.

Table 6

Number of Covered Lives by Actuarial Value by Product in the Large Group Market

Product Type	Number of Covered Lives by Actuarial Value					
	0.9 – 1.00	0.8 – 0.89	0.7 – 0.79	0.6 – 0.69	< 0.60	All
Health Maintenance Organization (HMO)	5,357,040	838,410	200.847	31,612	615	6,428,524
Preferred Provider Organization (PPO)	238,264	324,102	73,919	23,582	3,832	663,699
High Deductible Health Plan (HDHP)	880	329,236	232,208	59,152	2,957	624,433
Point of Service (POS)	67,186	3,966	177	267	-	71,596
Exclusive Provider Organization (EPO)	15,837	20,538	2,462	12,052	363	51,252
Total	**5,679,207**	**1,516,252**	**509,613**	**126,665**	**7,767**	**7,839,504**

Table 7 groups HMO membership into actuarial value ranges for the following categories: statewide plans (excluding Kaiser Permanente), Kaiser Permanente, and regional plans. As the table demonstrates, a sizable majority of members have benefits in the 0.9 -1.00 range, the richest benefit bracket. When compared to statewide plans, benefits in the regional plans tended to be a little less generous overall.

Table 7

Actuarial Value for HMO Members

Actuarial Value	Statewide Plans (Excluding Kaiser Permanente)	Kaiser Permanente	Regional Health Plans
0.9 – 1.00	80.7%	84.2%	74.4%
0.8 – 0.89	14.4%	12.6%	20.6%
0.7 – 0.79	4.1%	2.8%	3.7%
0.6 – 0.69	0.8%	0.4%	1.3%
<0.60	0.0%	0.0%	0.0%

Large Group Rating Methodology

Large group health plans use one of the following three rating methodologies to set premium rates:

1. Community rated: uses a standard base rate for a pool of large employer groups and additional factors specific to that employer group, such as geographic region or industry, to determine rates.

2. Experience rated or blended: uses the actual claims experience of an employer group to determine rates for a given employer group.

3. Blended: uses a blend of rates determined via community rating and experience rating.

Table 8 shows the percentage of renewing groups, number of enrollees, unadjusted average rate increases, and average premium PMPM by rating methodology. Although the percentage of experience rated groups is lower compared to blended and community rated groups, the number of enrollees in experience rated groups is significantly larger.

Table 8

Percentage of Renewing Groups and Enrollment by Rating Methodology

Category	Percentage of Renewing Groups	Number of Enrollees	Unadjusted Average Rate Increase	Average Premium PMPM
Community Rated	61.4%	1,015,026	7.7%	$600.32
Blended	28.1%	1,166,161	7.5%	$583.56
Experience Rated	10.5%	5,593,623	6.1%	$588.33

Chart 3 shows the percentage of renewing groups by rating methodology for statewide plans (excluding Kaiser Permanente), Kaiser Permanente, and regional groups. Because regional groups tend to be smaller in size, it is less common for them to be experience rated, as their data may be less credible for projecting expected medical trend. Only 2.4% of regional groups are experience rated in 2023. In comparison, groups contracting with Kaiser Permanente tend to be much larger; therefore, their underlying rate data is more credible for projecting expected medical trend. Accordingly, Kaiser Permanente has a much higher percentage of experience rated groups than those of smaller carriers.

Chart 3

Percentage of Renewing Groups by Rating Methodology

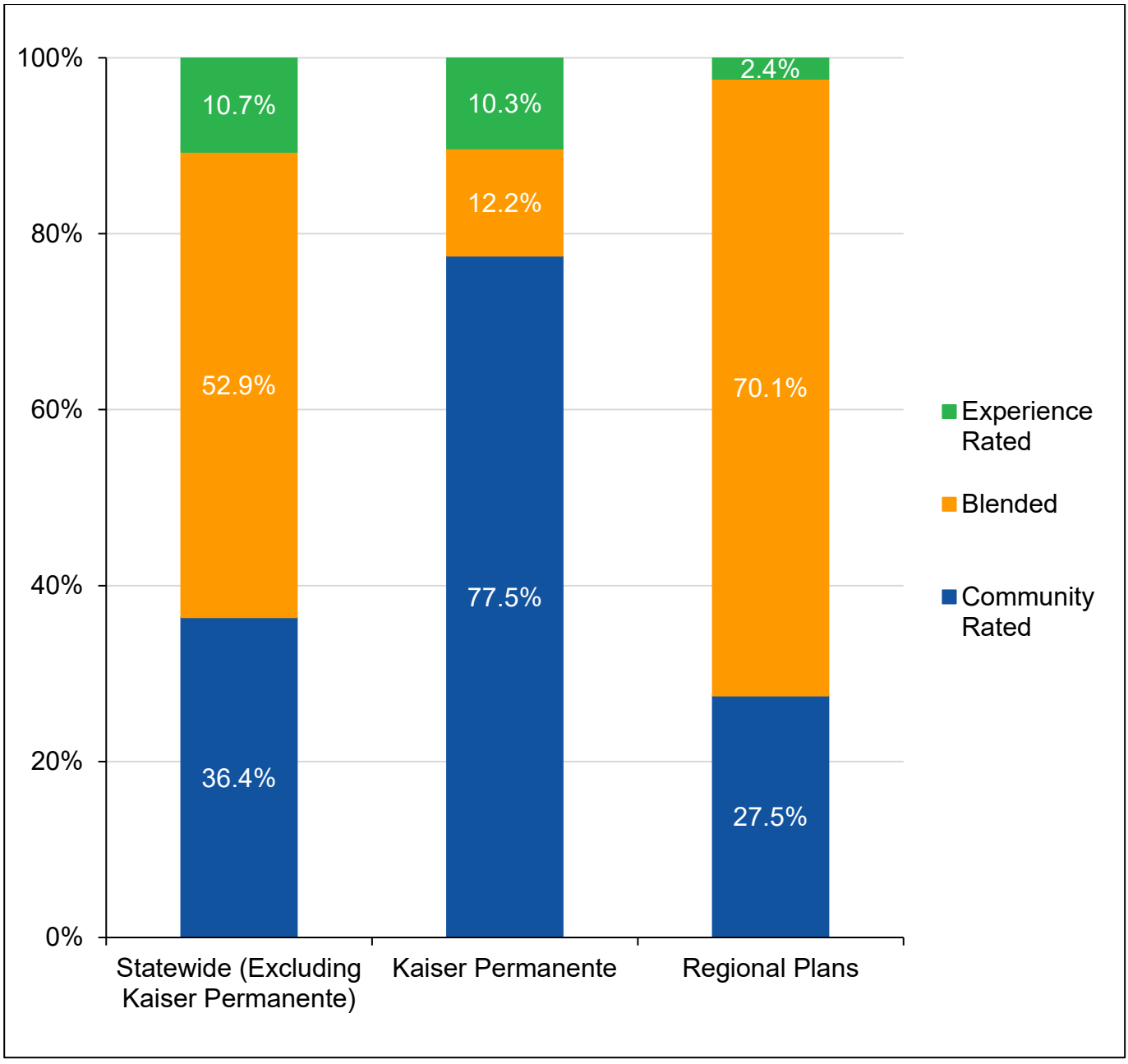


Chart 4 shows average unadjusted rate increases for statewide (excluding Kaiser Permanente), Kaiser Permanente, and regional groups. For statewide groups (with or without Kaiser Permanente), community rated groups, which are typically smaller and less credible groups, experienced the largest rate increases. Experience rated groups, on the other hand, are typically larger and have more credible data to be used for rate development. In 2023, there was no general rule for which method experienced the largest rate increases, as experience rated groups for regional plans had the largest increases and community rated groups had the smallest increases.

Chart 4

Average Rate Increases by Rating Methodology

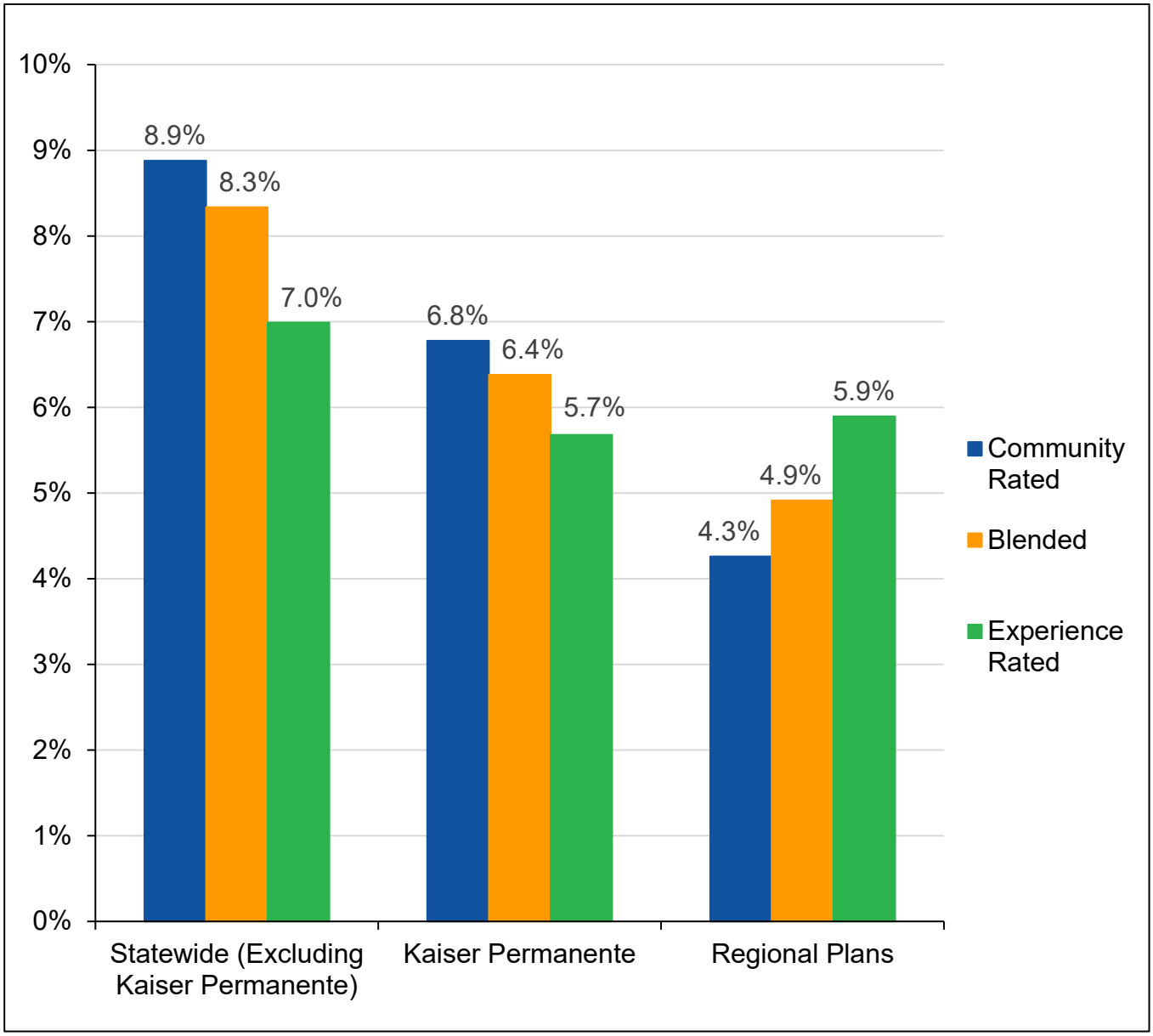
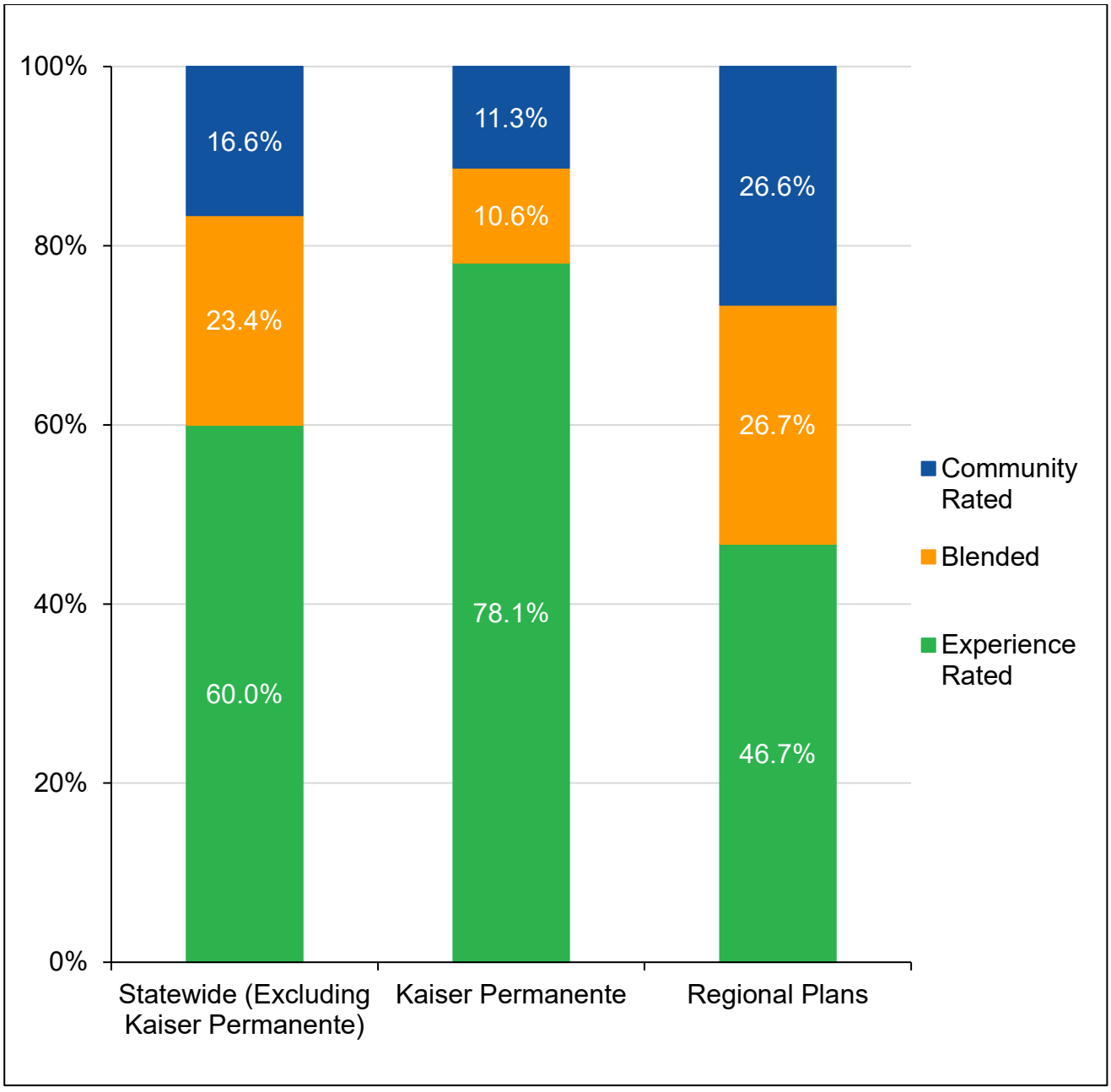


Chart 5 shows the percentage of renewing enrollees by rating methodology for statewide plans (excluding Kaiser Permanente), Kaiser Permanente, and regional groups. Because regional groups tend to be considerably smaller in size, it is less common for them to be experience rated, as their underlying data is less credible for projecting expected medical trend. In 2023, nearly 47% of members in regional plans were experience rated. Groups that contracted with Kaiser Permanente tended to be much larger, and therefore provided more credible data for experience rating. As such, Kaiser Permanente had a much higher percentage of experience rated, accounting for roughly 78% of members.

Chart 5

Percentage of Renewing Enrollees by Rating Methodology



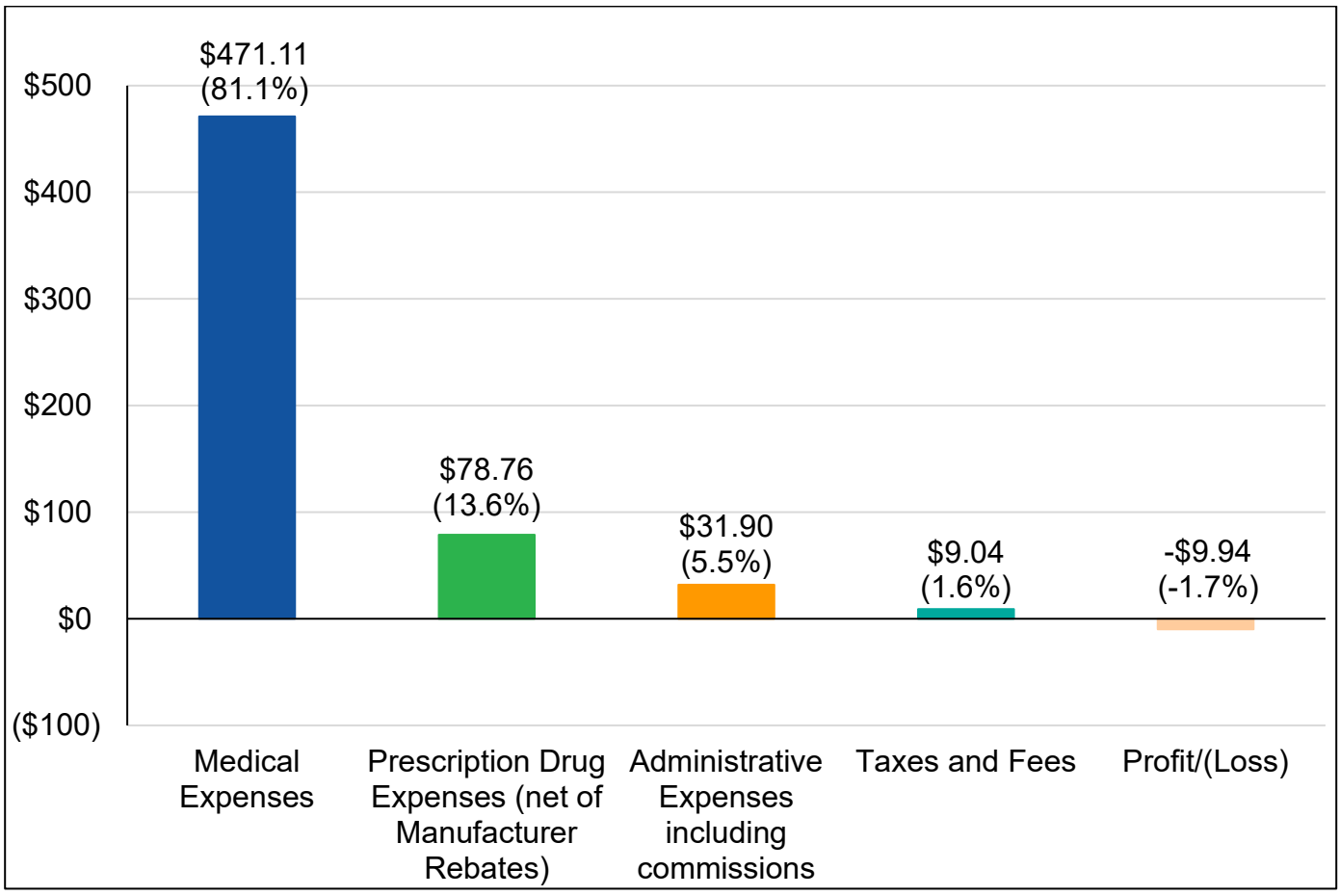
IV. Impact of Prescription Drug Costs on Large Group Rates

The DMHC also analyzed the impact of the cost of prescription drugs on large group health care premiums, on an aggregate level and on a PMPM basis. For this section of the report, health plans reported only on the large group products that included prescription drug benefits.

Chart 6 shows the breakdown of total health plan premiums on a PMPM basis. For measurement year 2023, the total health plan premium on a PMPM basis was $580.87. Medical expenses accounted for $471.11, or 81.1% of the health plan premium. Prescription drug expenses, net of manufacturer rebates, accounted for $78.76, or 13.6% of total health plan premium on a PMPM basis. Administrative expenses[15] including commissions accounted for $31.90, or 5.5% and taxes and fees made up $9.04, or 1.6% of total health plan premiums on a PMPM basis. Profit, however, was negative $9.94, or -1.7% of the total health plan premium on a PMPM basis.

Chart 6

Breakdown of Large Group Health Plan Premium PMPM



[15] Administrative expenses are business expenses associated with general administration, agent/broker fees and commissions, direct sales salaries, workforce salaries and benefits, loss adjustment expenses, cost containment expenses, and community benefit expenditures.

Table 9 shows the components of large group health care premiums on a PMPM basis in 2023 in comparison to 2022. Medical expenses increased by 11.1% since 2022, while prescription drug expenses increased by 7.2%. Manufacturer drug rebates increased by 37.0% in 2023 and totaled approximately $1.2 billion in 2023 compared to $910 million in 2022. These rebates helped mitigate some of the overall impact of rising prescription drug prices by reducing total health plan premiums by 2.3% in 2023. Administrative expenses, including commissions increased by 5.4% and taxes and fees decreased by 5.4%. Compared to 2022, health plan profit decreased by 319% in 2023 as utilization and costs increased after an unprecedented drop related to the COVID-19 pandemic.

Table 9

Components of Large Group Health Plan Premium on a PMPM Basis

Category of Premium Payment	2023	Percentage of Premium	2022	Percentage of Premium	Year-over-Year Percentage Change
Medical Expenses	$471.11	81.1%	$424.04	77.8%	11.1%
Prescription Drug Expenses	$91.96	15.8%	$85.77	15.8%	7.2%
Manufacturer Drug Rebates	($13.20)	-2.3%	($9.64)	-1.8%	37.0%
Administrative Expenses including Commissions	$31.90	5.5%	$30.26	5.6%	5.4%
Taxes and Fees	$9.04	1.6%	$9.55	1.8%	-5.4%
Profit	($9.94)	-1.7%	$4.55	0.8%	-318.5%
Total Health Plan Premium	$580.87	100.0%	$544.53	100.0%	6.7%
Member Months (in millions)	93.74		93.29		0.5%

Health plans also reported their average health care premium, medical expenses, and prescription drug costs, including costs associated with administering prescription drugs in a doctor's office. Table 10 shows the average premium, and the percentage of premium spent on prescription drugs and medical expenses for each of the statewide plans, averages for all statewide plans (excluding Kaiser Permanente), Kaiser Permanente and averages for all regional plans.

Table 10

Large Group Prescription Drug and Medical Expenses as a Percent of Premium 2023

Health Plan Name	Average Premium	Percentage of Premium Spent on Prescription Drugs	Percentage of Premium Spent on Medical Expenses[16]
Aetna Health of California	$555	12.5%	68.6%
Anthem Blue Cross	$597	22.6%	64.1%
Blue Shield of California	$649	12.9%	75.1%
Cigna Healthcare of California	$630	17.5%	75.2%
Health Net of California	$665	10.1%	74.6%
UnitedHealthcare of California	$575	11.5%	77.1%
UnitedHealthcare Benefits Plan of California	$590	14.3%	72.9%
Statewide Plans (Excluding Kaiser Permanente)	$610	16.7%	70.2%
Kaiser Permanente	$568	12.0%	86.7%
Regional Health Plans	$595	16.0%	71.6%

[16] Does not include prescription drug expenses.

Five health plans reported information related to the costs associated with drugs administered in a doctor's office. [17] Table 11 shows the range of costs for these services on a PMPM basis. The maximum cost reported by health plans was $36.78 PMPM, and the minimum reported was $0.87 PMPM. The median cost reported for all plans was $16.36 PMPM.

Table 11

Costs for Drugs Administered in a Doctor's Office on a PMPM Basis

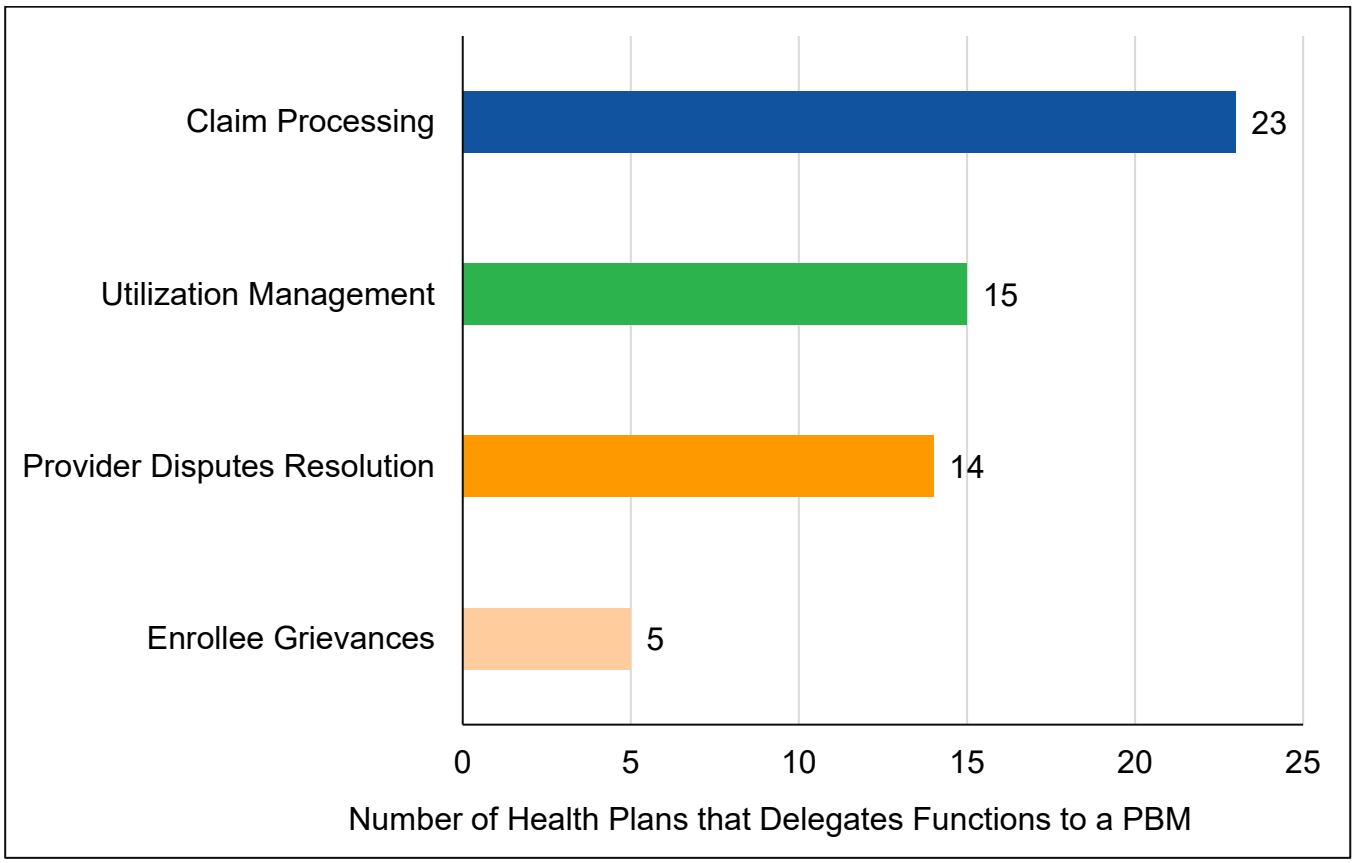
Category	Number of Health Plans	Minimum (Reported)	Maximum (Reported)	Median (Reported)
All Health Plans	5	$0.87	$36.78	$16.36
Statewide Health Plans (Excluding Kaiser Permanente)	1	$33.66	$33.66	$33.66
Kaiser Permanente	1	$16.36	$16.36	$16.36
Regional Health Plans	3	$0.87	$36.78	$2.39

[17] Health plans were required to report this information if it was available.

Chart 7 shows PBM functions for large group plans. All 23 health plans, including IHSS plans, utilized PBMs. As shown below, the majority of health plans use PBMs for claims processing, 15 health plans used PBMs for utilization management, 14 health plans used PBMs for provider disputes resolution, and five health plans used PBMs for enrollee grievances. A detailed listing of the PBMs utilized by health plans is included in Appendix A.

Chart 7

Pharmacy Benefit Manager (PBM) Functions for Large Group Plans



V. Conclusion

Generally, from 2016 to 2022, the annual average rate increases for the large group market remained relatively consistent, averaging around 4% each year, with 2018 being an outlier; however, 2023 experienced much higher rate increases on average, somewhat mirroring the economy in general.

Based on the health plan rate filings with the DMHC, the large group premium rates are expected to increase by 11.5% in 2024. Additionally, individual and small group health plan premiums are expected to increase by 10.4% and 8.4%, respectively. These increases are similar to Covered California's overall rate increase of 9.6% and CALPERS' overall rate increase of 10.9% for 2024.

Prescription drug costs, the net of manufacturer rebates, accounted for 13.6% ($78.76 PMPM) of total health care premiums in 2023, a slight decrease from 14.0% ($76.14 PMPM) in 2022. Medical expenses made up 81.1%, or $471.11, of total health plan premiums on a PMPM basis.

In 2023, the health care industry continues to face inflation, changing labor market conditions, provider shortages, supply chain issues and new price transparency requirements. Medical expenses increased by 11.1%, and prescription drug expenses increased by 7.2% since 2022.

The report provides transparency into the large group market by providing insight into a health plan's average rate increases for the reporting year along with historical and anticipated claims trends, actuarial values, and rating methodologies utilized. The DMHC will continue to collect and report this data, which will provide the public access to aggregate rate and data information pertaining to the large group market. Additionally, the DMHC will hold a public meeting in the first quarter of 2024 to discuss the large group rate changes and prescription drug costs.

Appendix A:
Pharmacy Benefit Managers Utilized by Large Group Health Plans

Health Plan Name	Functions Delegated to PBM				
	PBM Name	Utilization Management	Claims Processing	Provider Dispute Resolutions	Enrollee Grievances
Aetna Health of California	CVS	Yes	Yes	Yes	No
Alameda Alliance For Health	PerformRX	Yes	Yes	Yes	No
Anthem Blue Cross	CarelonRx	No	Yes	Yes	No
Blue Shield of California	CVS Health	No	Yes	No	No
Chinese Community Health Plan	MEDIMPACT	Yes	Yes	Yes	No
Cigna Healthcare of California	Cigna Pharmacy Management	Yes	No	No	Yes
Cigna Healthcare of California	ESI	No	Yes	Yes	No
Community Care Health Plan	MEDIMPACT	Yes	Yes	Yes	No
County of Ventura	Express Scripts	No	Yes	No	No
Contra Costa Health Plan	PerformRX	No	Yes	No	No
Health Net of California	CVS Caremark	Yes	Yes	No	No
Kaiser Permanente	MEDIMPACT	Yes	Yes	Yes	No
L.A. Care Health Plan	Navitus Health Solutions	No	Yes	Yes	No
San Francisco Health Authority	MagellanRx	Yes	Yes	No	No
San Mateo Health Commission	SS&C Health (DST Pharmacy Solutions)	No	Yes	No	No

Health Plan Name	Functions Delegated to PBM				
	PBM Name	Utilization Management	Claims Processing	Provider Dispute Resolutions	Enrollee Grievances
Central California Alliance for Health	MEDIMPACT	Yes	Yes	Yes	Yes
Memorial Care Select Health Plan	MEDIMPACT	No	Yes	No	No
Scripps Health Plan Services	MEDIMPACT	Yes	Yes	No	No
Sharp Health Plan	CVS Caremark	Yes	Yes	Yes	Yes
Sutter Health Plan	CaremarkPCS Health, L.L.C	Yes	Yes	Yes	No
UnitedHealthcare of California	OptumRx	Yes	Yes	Yes	Yes
UnitedHealthcare Benefits Plan of California	OptumRx	Yes	Yes	Yes	Yes
Valley Health Plan	Navitus Health Solutions	Yes	Yes	No	No
Western Health Advantage	OptumRX	No	Yes	Yes	No

Appendix B:
Health Plan Names (Legal & Doing Business As)

Health Plan Name	Doing Business As (DBA)
Aetna Health of California Inc.	
Alameda Alliance For Health	
Blue Cross of California	Anthem Blue Cross
California Physicians' Service	Blue Shield of California
Chinese Community Health Plan	
Cigna Healthcare of California, Inc.	
Community Care Health Plan, Inc.	
Contra Costa County Medical Services	Contra Costa Health Plan
County of Ventura	Ventura County Health Care Plan
Health Net of California, Inc.	
Kaiser Foundation Health Plan, Inc.	Kaiser Permanente
Local Initiative Health Authority for Los Angeles County	L.A. Care Health Plan
San Francisco Health Authority	San Francisco Health Plan
San Mateo Health Commission	Health Plan of San Mateo
Santa Cruz-Monterey-Merced-San Benito-Mariposa Managed Medical Care Commission	Central California Alliance for Health
MemorialCare Select Health Plan	
Santa Clara County	Valley Health Plan
Scripps Health Plan Services, Inc.	
Sharp Health Plan	
Sutter Health Plan	Sutter Health Plus
UHC of California	UnitedHealthcare of California
UnitedHealthcare Benefits Plan of California	
Western Health Advantage	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