
SENATE COMMITTEE ON APPROPRIATIONS

Senator Sabrina Cervantes, Chair
2025 - 2026 Regular Session

SB 1037 (Weber Pierson) - Health care coverage: rate review

Version: April 7, 2026

Urgency: No

Hearing Date: April 27, 2026

Policy Vote: HEALTH 7 - 1

Mandate: Yes

Consultant: Agnes Lee

Bill Summary: SB 1037 would require the Department of Managed Health Care (DMHC) and the California Department of Insurance (CDI) to conduct an enhanced rate review of health plans and insurers to determine if health care premiums are affordable for individual and group purchasers.

Fiscal Impact:

- The DMHC estimates costs of approximately \$461,000 in 2026-27, \$1,237,000 in 2027-28, and \$1,205,000 in 2028-29 and annually thereafter for state administration (Managed Care Fund).
- Unknown ongoing costs for the CDI for state administration (Insurance Fund).
- Unknown ongoing General Fund costs for the Department of Health Care Access and Information (HCAI) to work in collaboration with DMHC and CDI in the rate review process.

Background:

Rate Review. The DMHC regulates health plans under the Knox-Keene Act and the CDI regulates health insurance. As part of their regulatory responsibilities, both departments have similar requirements to review prospective rate filings submitted by plans/insurers for products sold in the individual and group markets. Rate filings submitted by plans/insurers include total premiums, incurred claims, average rate increases, enrollee cost sharing and benefit changes, medical trend assumptions, fees, prices paid in comparison to Medicare, and variation in trends by geography. The regulators do not have authority to deny a rate increase, but they can declare a rate “not justified” or “unreasonable,” which triggers disclosure requirements to purchasers.

Office of Health Care Affordability (OHCA). Current law establishes OHCA, within HCAI, to be responsible for: analyzing the health care market for cost trends and drivers of spending; developing data-informed policies for lowering health care costs for consumers and purchasers; creating a state strategy for controlling the cost of health care and ensuring affordability for consumers and purchasers; and enforcing cost targets. Current law requires the OHCA board to establish a statewide health care cost target, and specific targets by health care sector, including fully integrated delivery systems, geographic regions, and individual health care entities, as appropriate.

Proposed Law: Specific provisions of the bill would:

- Revise the definition of “unreasonable rate increase.”
- Require health plans and insurers to demonstrate the impact of OHCA cost targets on rate development, including medical trends, medical inflation, and medical administrative costs.
- Require that if a plan/insurer asserts that aging, high-cost drugs, or other cost drivers explain a rate increase in part or in whole, the plan/insurer must explain how it reconciles this information with analysis published by OHCA.
- Require the DMHC director or CDI commissioner to consider any excessive tangible net equity of the plan or insurer when determining whether a rate is unreasonable or not justified.
- Require DMHC/CDI, in collaboration with the OHCA, to conduct an enhanced rate review to determine if health care premiums are affordable for individual and group purchasers; and require the review to include the annual change in premiums and cost sharing for the prior five years, including, but not limited to, deductibles, copayments, coinsurance, and any other cost sharing that impact actuarial value.

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