



April 27, 2026

Department of Managed Health Care
980 9th Street, Suite 500
Sacramento, CA 95814

Subject: Prescription Drug Reporting Process for Health Care Service Plans, Control No. 2025-SB17

To Whom It May Concern:

Covered California appreciates the opportunity to comment on the Department of Managed Health Care's (DMHC's) proposed regulation regarding prescription drug cost and premium reporting. We strongly support the DMHC's efforts to enhance transparency in prescription drug spending and its relationship to premiums. Below, please find our suggestions to enhance the transparency and usability of the report.

1. Request to Collect and Report Data by Line of Business (LOB)

As we understand it, the Reporting Form and corresponding DMHC report are structured at the aggregate commercial level. From Covered California's perspective as California's individual market exchange, this aggregation significantly limits the utility of the information for understanding conditions in the individual market specifically.

Covered California's individual market enrollees differ from other commercial segments (e.g., large and small group) in benefit design, cost sharing, and risk selection. As a result, key metrics such as the impact on premium for high-cost drugs are unlikely to be comparable across segments when only total commercial data are available. Commercial averages can obscure important differences in drug utilization, pricing, and premium impacts in the individual market.

To better align with the regulation's transparency goals and to make the data actionable for purchasers, regulators, and consumers, we recommend that DMHC:

- **Require plans to report to DMHC by LOB** rather than only in total commercial;
- **Produce public reports by LOB**, including a distinct view for the individual market; and
- **Include the federal Health Insurance Oversight System (HIOS) ID in the Reporting Form** so that individual market products can be extracted from the broader commercial segment.

A line-of-business structure (e.g., individual, small group, large group), coupled with HIOS identifiers at the product level, would allow Covered California and other stakeholders to more accurately interpret trends within their own segments and to use the resulting information to inform benefit design, purchasing strategies, and policy evaluation.

2. Clarifying the Use of Gross Allowed Amounts and Rebates

We recognize that the proposed reporting relies on gross allowed amounts at the drug or therapeutic class level, and that some plans may not receive drug-level rebate information from their pharmacy benefit managers (PBMs). This is consistent with our own experience in other reporting contexts, where rebate and discount information is often not available at the individual drug/class level; and confidentiality and proprietary information concerns can further limit the granularity of rebate data.

Because of these limitations, stakeholders will generally not be able to directly tie a specific drug or class, as reported on a gross basis, to its precise impact on premiums. The connection point between drug spending and premiums typically occurs at a higher level of aggregation (e.g., through net drug cost in financial rollups).


We offer the following suggestions for DMHC's consideration:

- In the Instruction Manual and Reporting Form, **acknowledge the limitations** of gross drug/class level costs for directly attributing premium impacts, so that users of the data interpret the results appropriately; and
- In cases where plan-PBM contracts do not provide drug-level rebate detail, **allow or encourage reasonable approximations of net costs**, consistent with DMHC's approach in other reporting frameworks, so long as plans document their methodology.

These clarifications would help ensure that the resulting data are both transparent and interpretable, while remaining feasible for plans and PBMs to produce.

Thank you for the opportunity to provide input on this important proposal. Covered California looks forward to continued collaboration to advance transparency and affordability in California.

Sincerely,


Jessica Altman
Executive Director