RESOURCE

Pharmacy Benefit Coverage in State-Regulated Health Insurance for 2026

MAY 2025

California Health Benefits Review Program (CHBRP)
University of California

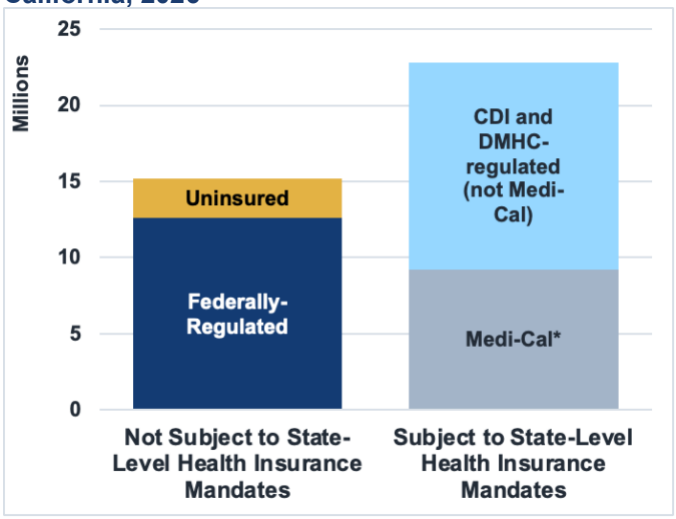
At the request of the California State Legislature, the California Health Benefits Review Program (CHBRP)[1] provides prompt, independent, and rigorous evidence-based analyses of proposed health insurance benefit laws that would impact Californians enrolled in health plans regulated by the California Department of Managed Care (DMHC) and health policies regulated by the California Department of Insurance (CDI). These are enrollees whose benefits are subject to state regulation and can be influenced by the proposed state-level legislation CHBRP is asked to analyze.

This document estimates pharmacy benefit coverage among Californians in 2026. This is important to pay attention to because the bills CHBRP analyzes sometimes only apply to health insurance for which a pharmacy benefit is present.[2]

Californians Enrolled in Health Insurance

As displayed in Figure 1, approximately 38 million Californians will have health insurance in 2026.[3] The figure also shows that approximately 22.2 million (58.4% of all) Californians are enrolled in plans or policies regulated by DMHC or CDI and so have health insurance that can be subject to the benefit bills CHBRP is asked to analyze.

Figure 1. Health Insurance by Regulator in California, 2026



Source: California Health Benefits Review Program, 2025.
Notes: Population with federally regulated health insurance includes Medicare beneficiaries, enrollees in self-insured products, etc.

*Medi-Cal population includes beneficiaries in COHS health plans.

Key: CDI = California Department of Insurance; COHS = County-Organized Health System; DMHC = California Department of Managed Health Care.

[1] CHBRP was established in 2002. See CHBRP's website for its authorizing statute.
[2] Recent examples of CHBRP bill analyses that involved a pharmacy benefit include AB 2467 (2024) and SB 839 (2023).
[3] See CHBRP's resource, *Estimates of Sources of Health Insurance in California*.

Pharmacy Benefit Coverage among Californians with State-Regulated Health Insurance

CHBRP estimates pharmacy benefit coverage benefit regulated by the DMHC or CDI because there are state-level benefit bills that would apply only if an enrollee's plan or policy includes a pharmacy benefit. CHBRP also estimates the number of Californians with pharmacy benefit coverage regulated by non-state entities, and those without pharmacy benefit coverage. In previous analyses on mandates that would only impact those with a state-regulated pharmacy benefit, CHBRP has indicated that the bill would have no impact on the benefit coverage of enrollees in plans and policies with no pharmacy benefit, and no impact on the benefit coverage of enrollees who have a pharmacy benefit that is separate from their state-regulated health insurance.

Pharmacy benefit coverage was estimated through surveys and queries of the state's largest health plans and insurers. For enrollees in the commercial markets regulated by DMHC and CDI, inclusion of a pharmacy benefit was determined by responses to a survey of the largest (by enrollment) providers of health insurance in California. The California Public Employees' Retirement System (CalPERS) was queried regarding inclusion of a pharmacy benefit among DMHC-regulated plan enrollees associated with CalPERS. The Department of Health Care Services (DHCS) was queried about coverage among Medi-Cal beneficiaries enrolled in DMHC-regulated plans.

As displayed in Table 1, 22.2 million Californians are enrolled in plans or policies regulated by DMHC or CDI, including 8.6 million who are Medi-Cal beneficiaries enrolled in DMHC-regulated plans. Table 1 notes the variation in pharmacy benefit coverage within this group.

Table 1. Pharmacy benefit coverage among enrollees in state-regulated plans and policies, 2026

	Medi-Cal Beneficiaries (a)	Commercial & CalPERS Enrollees	All
Enrollee Counts			
Total enrollees in plans/policies subject to DMHC or CDI	8,637,000	13,570,000	22,207,000
Pharmacy Benefit Coverage			
DMHC -or CDI-regulated pharmacy benefit			
Brand name and generic medications	0.0%	95.4%	58.31%
Generic only	0.0%	<0.01%	*0.0%
No pharmacy benefit	0.0%	1.3%	0.01%
Other pharmacy benefit coverage (b)	100.0%	3.6%	40.97%

Source: California Health Benefits Review Program, 2025.
Notes: *Less than 0.0001%.
(a) DHCS purchases enrollment in DMHC-regulated plans for a majority of Medi-Cal beneficiaries.
(b) Not subject to DMHC or CDI regulation – such as when an employer (e.g. CalPERS) contracts separately with a PBM or when DHCS directly administers the pharmacy benefit for Medi-Cal beneficiaries
Key: CDI = California Department of Insurance; COHS = county organized health system; DHCS = Department of Health Care Services; DMHC = Department of Managed Health Care; PBM = Pharmacy Benefits Manager

Medi-Cal Beneficiaries Enrolled in DMHC-Regulated Plans

Outpatient medications are generally "carved out" of DMHC-regulated plans enrolling Medi-Cal beneficiaries and paid for by Medi-Cal fee-for-service through the Medi-Cal Rx program.[4] This means that although these Medi-Cal beneficiaries have health insurance regulated by DMHC, the pharmacy benefits are managed, administered, and paid for by the Department of Health Care Services (DHCS). Pharmacy benefits billed as medical and institutional claims (i.e. those administered by a medical professional) continue to be paid for by DMHC-regulated plans.[5]

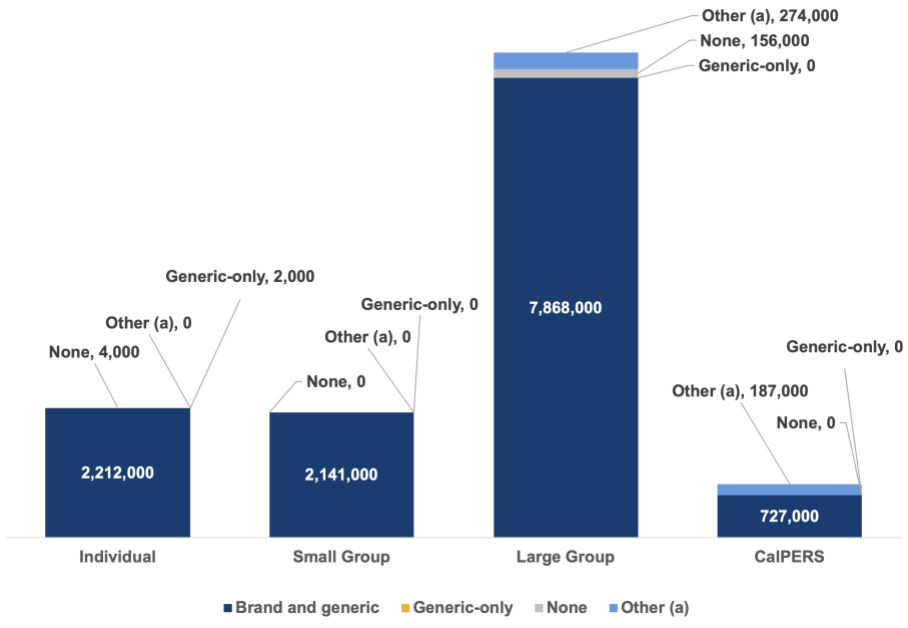
Commercial and CalPERS Enrollees

Among commercial and CalPERS enrollees, 95.4% have coverage for outpatient medications through a pharmacy benefit included in the enrollee's plan or policy.[6] However, 1.2% have no pharmacy benefit at all, and 3.4% have a pharmacy benefit unconnected to their plan or policy (and therefore not regulated by DMHC or CDI). Commercial and CalPERS enrollees in DMHC-regulated plans and CDI-regulated policies can have a pharmacy benefit not subject to regulation by DMHC or CDI when the purchaser (most commonly an employer) arranges for the pharmacy benefit to be directly provided to enrollees by a Pharmacy Benefit Manager (PBM).

Variation in Pharmacy Benefit Coverage among Commercial and CalPERS Enrollees

As displayed in Figure 2, there is variation in the type and source of the pharmacy benefit among commercial and CalPERS enrollees in DMHC-regulated plans and CDI-regulated policies. As discussed above, while most enrollees have a pharmacy benefit that covers brand name and generic prescriptions and is regulated by DMHC or CDI, a small share of enrollees in the individual market have a pharmacy benefit that covers only generic medications, do not have a pharmacy benefit at all, or have a pharmacy benefit not subject to DMHC or CDI regulation.

Figure 2. Variation in Pharmacy Benefit Coverage among Commercial and CalPERS enrollees in DMHC-Regulated Plans and CDI-Regulated Policies by Market Segment, 2026



[4] More information about DHCS Medi-Cal pharmacy benefits is available on the Medi-Cal Rx website.
[5] For more information see DHCS' website on Medi-Cal Rx.
[6] Outpatient medications accessed in a provider's office (most commonly medications that require clinician administration) are generally covered though a medical benefit, rather than through a pharmacy benefit.

Source: California Health Benefit Review Program, 2025.
Notes: (a) Enrollees with a generic-only pharmacy benefit are in grandfathered plans or policies.
(b) For those enrollees with a pharmacy benefit labeled "other," that benefit is not subject to state regulation.
Key: CDI = California Department of Insurance; CalPERS = California Public Employees' Retirement System; DMHC = Department of Managed Health Care

Relevant State and Federal Law

State and federal health insurance laws require coverage for specific outpatient medications.[7] However, this mix of laws does not require that all enrollees in all plans and policies regulated by DMHC or CDI include a pharmacy benefit – the common way in which outpatient medications are covered.

- **Federal pharmacy benefit coverage requirement:** Nongrandfathered small group and individual market health insurance is required to provide broad outpatient medication coverage as part of federally required coverage for Essential Health Benefits (EHBs).[8] Commonly, compliance with the law is through inclusion of a pharmacy benefit. All large group market health insurance, as well as grandfathered small group and individual market health insurance, may exclude a pharmacy benefit, which allows some enrollees to have no pharmacy benefit coverage from their DMHC-regulated plan or CDI-regulated policy (see Table 1).
- **Federal medication-specific coverage requirement:** Nongrandfathered large group, small group, and individual market health insurance is federally required to provide coverage for specified sets of outpatient medications specified as preventive services and to do so without cost sharing for the enrollee.[9] Commonly, compliance with the law is through inclusion of a pharmacy benefit.
- **State medication-specific coverage requirement when a pharmacy benefit is present**: Some state-level mandates, applicable to some or all plans and policies regulated by DMHC or CDI, require coverage for particular drugs or restrict cost sharing for covered medications.[10] However, these laws are generally only applicable to plans and policies with existing coverage for outpatient medications – generally, plans and policies that include a pharmacy benefit. For example, existing California law requires coverage for insulin and prescription drugs for the treatment of diabetes.[11] The language of this statute specifies that it is applicable only to plans and policies "that [cover] prescription drug benefits," which has generally been understood as "including a pharmacy benefit" and so exempts the health insurance of enrollees who do not have a pharmacy benefit through their DMHC-regulated plan or CDI-regulated policy.

Conclusion

Almost all Californians enrolled in commercial and CalPERS plans and policies regulated by DMHC or CDI have pharmacy benefits directly through their health insurance plan or policy. However, some commercial enrollees in large group plans and some CalPERS enrollees have pharmacy benefit coverage directly from a PBM that is not subject to state regulation. Additionally, pharmacy benefits for Medi-Cal beneficiaries are generally administered by DHCS and paid for directly by Medi-Cal's fee-for-service program, Medi-Cal Rx. In such cases, the pharmacy benefit is not subject to the regulation by DMHC or CDI. When considering a bill that proposes a state-level benefit law (which would be enforced by DMHC and/or CDI), CHBRP does not project medication-related impacts for enrollees who have a pharmacy benefit not included in their DMHC-regulated plan or CDI-regulated policy.

[7] State and federal laws that address cost sharing for covered outpatient medications are addressed in CHBRP's issue brief, *Outpatient Prescription Drug Cost Sharing*.
[8] California Health & Safety Code (HSC): 1367.005, 1367.006, 1367.0065; California Insurance Code (INS): 10112.27, 10112.28, 10112.285; Federal Affordable Care Act of 2010 (ACA): Section 1301, 1302, and Section 1201 modifying Section 2707 of the Public Health Service Act (PHSA). See CHBRP's issue brief, *Essential Health Benefits: An Overview of Benefits, Benchmark Plan Options, and EHBs in California* for more information about Essential Health Benefits.
[9] HSC 1367.002; INS 10112.2; ACA: Section 1001 modifying Section 2713 of the PHSA. See CHBRP's resource *Federal Recommendations and the California and Federal Preventative Services Benefit Mandates*.
[10] A list of federal and state mandates related to prescription medications is included in CHBRP's resource, *Health Insurance Benefit Mandates in California State and Federal Law*.
[11] HSC 1367.51 and INS 10176.61.

About CHBRP

The California Health Benefits Review Program (CHBRP) was established in 2002. As per its authorizing statute, CHBRP provides the California Legislature with independent analysis of the medical, financial, and public health impacts of proposed health insurance benefit-related legislation. The state funds CHBRP through an annual assessment on health plans and insurers in California.

An analytic staff based at the University of California, Berkeley, supports a task force of faculty and research staff from multiple University of California campuses to complete each CHBRP analysis. A strict conflict-of-interest policy ensures that the analyses are undertaken without bias. A certified, independent actuary helps to estimate the financial impact. Content experts with comprehensive subject-matter expertise are consulted to provide essential background and input on the analytic approach for each report. Detailed information on CHBRP's analysis methodology, authorizing statute, as well as all CHBRP reports and other publications are available at www.chbrp.org.

CHBRP Staff

Garen Corbett, MS, Director
Adara Citron, MPH, Associate Director
An-Chi Tsou, PhD, Principal Policy Analyst
Anna Pickrell, MPH, Principal Policy Analyst
Karen Shore, PhD, Contractor*
Nisha Kurani, MPP, Contractor*
*Independent Contractor working with CHBRP to support analyses and other projects.

California Health Benefits Review Program
MC 3116
Berkeley, CA 94720-3116
info@chbrp.org
(510) 664-5306

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