

# California Health Benefits Review Program

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Issue Brief:

Estimates of Pharmacy Benefit Coverage in  
California for 2020

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# OVERVIEW

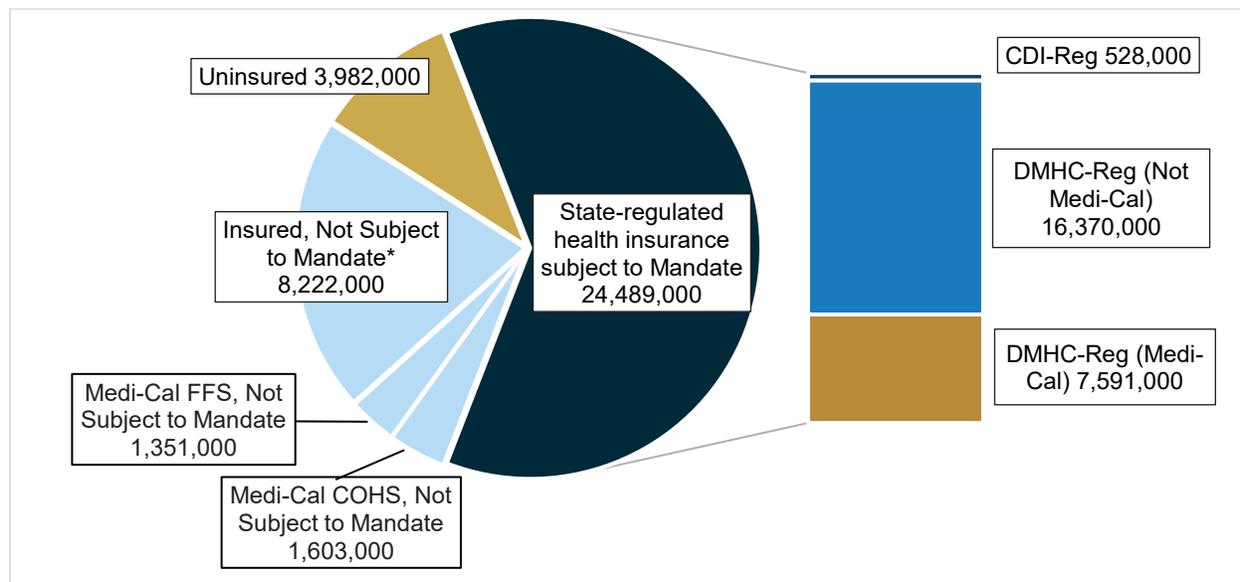
At the request of the legislature, the California Health Benefits Review Program (CHBRP) provides prompt, independent, and rigorous evidence-based analyses of proposed benefit laws that would impact state-regulated health insurance. CHBRP is regularly asked to analyze bills related to coverage for outpatient medications, which are most commonly covered through a pharmacy benefit.

This document notes the presence or absence of a pharmacy benefit among 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 the enrollees whose benefits are subject to state regulation and can be influenced by the proposed state-level legislation CHBRP is asked to analyze. CHBRP monitors the presence or absence of a pharmacy benefit because the bills CHBRP analyzes sometimes specify applicability only when a pharmacy benefit is present.<sup>1</sup>

## Californians Enrolled in Health Insurance

As displayed in Figure 1, about 35.6 million Californians have health insurance.<sup>2</sup> The figure also shows that approximately 24.5 million (61.8% 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.** 2020 Health Insurance by Regulator in California



Source: California Health Benefit Review Program, 2019

Notes: \*Such as enrollees in Medicare, and self-insured products

Key: FFS = Fee for Service; COHS = County-Organized Health System; CDI = California Department of Insurance; DMHC = California Department of Managed Health Care

<sup>1</sup> Recent examples of CHBRP bill analyses regarding pharmaceutical benefits include SB 11 (2019) and SB 1021 (2018). CHBRP's completed analyses of these bills are available at [http://chbrp.com/completed\\_analyses/index.php](http://chbrp.com/completed_analyses/index.php).

<sup>2</sup> See Estimates of Sources of Health Insurance, available as a resource at [http://chbrp.org/other\\_publications/index.php](http://chbrp.org/other_publications/index.php).

## Pharmacy Benefit Coverage among Californians with State-Regulated Health Insurance

As displayed in Table 1, among the 23.4 million Californians enrolled in plans or policies regulated by DMHC or CDI, 95.7% have coverage for outpatient medications through a pharmacy benefit included in the enrollee’s plan or policy.<sup>3</sup> However, 0.9% have no pharmacy benefit at all, and 3.4% have a pharmacy benefit unconnected to their plan or policy (and so not regulated by DMHC or CDI). 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).

**Table 1.** Pharmacy Benefit Coverage Among Enrollees in State-Regulated Plans and Policies, 2020

		Enrollees in DMHC-regulated plans and CDI-regulated policies
		<i>Total</i>
<b>Enrollee Counts</b>		
Total enrollees in plans/policies subject to DMHC or CDI (a)		24,489,000
<b>Pharmacy Benefit Coverage</b>		
DMHC or CDI regulated pharmacy benefit	brand name and generic medications	95.7%
	generic only	0.0%
No pharmacy benefit		0.9%
Other pharmacy benefit coverage (b)		3.4%

Source: California Health Benefits Review Program, 2019.

Notes: \*Not subject to DMHC or CDI regulation – such as when an employer (e.g. CalPERS) contracts separately with a PBM.

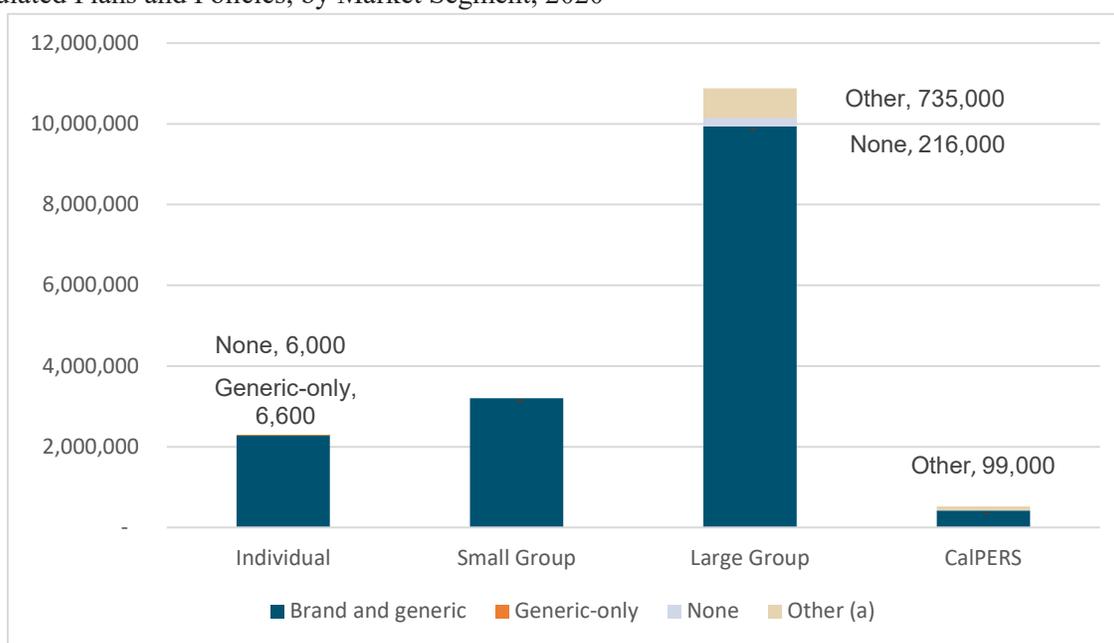
Key: DMHC = Department of Managed Health Care; CDI = California Department of Insurance; CalPERS = California Public Employees’ Retirement System; PBM = Pharmacy Benefit Manager

<sup>3</sup> Outpatient medications accessed in a provider’s office (most commonly medications that require clinician administration) are generally covered through a medical benefit, rather than through a pharmacy benefit.

## Variation in Pharmacy Benefit Coverage among Commercial and CalPERS enrollees

All Medi-Cal beneficiaries enrolled in DMHC-regulated plans have a pharmacy benefit regulated by DMHC.<sup>4</sup> However, as displayed in Figure 2, there is variation among other enrollees in DMHC-regulated plans and among enrollees in CDI-regulated policies.

**Figure 2.** Pharmacy Benefit Coverage Variation among Commercial and CalPERS enrollees in State-Regulated Plans and Policies, by Market Segment, 2020



Source: California Health Benefit Review Program, 2019

Notes: (a) For those enrollees with a pharmacy benefit labeled “other,” that benefit is not subject to state regulation.

Key: CalPERS = California Public Employees’ Retirement System; DMHC = Department of Managed Health Care; CDI = California Department of Insurance

Key aspects of the variation include:

- Most commercial enrollees in individual market plans and policies have a pharmacy benefit subject to regulation by DMHC or CDI. Approximately 2,276,000 have a pharmacy benefit that covers brand name and generic medications, though 6,000 have a generic-only pharmacy benefit (no coverage for brand-name medications). About 6,000 have no pharmacy benefit coverage.

<sup>4</sup> Particular outpatient medications are “carved-out” from Medi-Cal Managed Care. More information on carve-outs is available through the California Department of Health Care Services website at <http://dhcs.ca.gov>.

- All commercial enrollees in small group plans and policies, approximately 3,205,000, have a pharmacy benefit that covers brand-name and generic medications and is subject to regulation by DMHC or CDI.
- Most commercial enrollees in large group market plans and policies have a pharmacy benefit subject to regulation by DMHC or CDI. Approximately 9,930,000 have a pharmacy benefit that covers brand name and generic medications, though 735,000 have a pharmacy benefit through a PBM not connected to their plan or policy (and so not subject to regulation by DMHC or CDI) and 216,000 have no pharmacy benefit coverage.
- All CalPERS enrollees in DMHC-regulated plans have a pharmacy benefit that covers brand-name and generic medications. Approximately 424,000 have a pharmacy benefit through their plan, which is subject to regulation by DMHC. However, approximately 99,000 have a pharmacy benefit through a PBM not connected to their plan or policy and so not subject to regulation by DMHC.

CHBRP regularly estimates the presence or absence of a pharmacy benefit regulated by DMHC or CDI because a number of the state-level benefit bills CHBRP analyzes apply only if an enrollee’s plan or policy includes a pharmacy benefit. In previous analyses where this has been the case, 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.

## Relevant State and Federal Law

A number of overlapping state and federal health insurance laws require broad coverage of outpatient medications or require coverage for particular drugs. However, this mix of laws does not require that all enrollees in all plans and policies regulated by DMHC or CDI have a pharmacy benefit – the common way in which outpatient medications are covered.

- Non-grandfathered 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).<sup>5</sup> Commonly, compliance with the law is through inclusion of a pharmacy benefit.
- Non-grandfathered large group, small group, and individual market health insurance is federally required to provide coverage for specified set of outpatient medications specified preventive services.<sup>6</sup> Commonly, compliance with the law is through inclusion of a pharmacy benefit.

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<sup>5</sup> California Health & Safety Code: 1367.005, 1367.006, 1367.0065; California Insurance Code: 10112.27, 10112.28, 10112.285; Federal Affordable Care Act of 2010: Section 1301, 1302, and Section 1201 modifying Section 2707 of the PHSA. See CHBRP’s Estimates of Sources of Health Insurance document for more information about Essential Health Benefits: [http://chbrp.org/other\\_publications/index.php](http://chbrp.org/other_publications/index.php) under “Resources.”

<sup>6</sup> California Health & Safety Code: 1367.002; California Insurance Code: 10112.2; Federal Affordable Care Act of 2010: Section 1001 modifying Section 2713 of the PHSA See CHBRP’s Federal Preventive Services Mandate and California Mandates document: [http://chbrp.org/other\\_publications/index.php](http://chbrp.org/other_publications/index.php) under “Resources.”

- Some state-level mandates, applicable to some or all plans and policies regulated by DMHC or CDI, require coverage for particular drugs. 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, there is a mandate that requires coverage for insulin and prescription drugs for the treatment of diabetes.<sup>7</sup> 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 exempting the health insurance of enrollees who have not pharmacy benefit through their DMHC-regulated plan or CDI-regulated policy.

### **Estimating Presence or Absence of a Pharmacy Benefit**

Pharmacy benefit coverage was estimated through surveys and queries. 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 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 California Department for Health Care Services (DHCS) was queried about coverage among Medi-Cal beneficiaries enrolled in DMHC-regulated plans.

### **Conclusion**

Approximately 95.7% of Californians enrolled in plans and policies regulated by DMHC or CDI have pharmacy benefits directly through their health insurance plan or policy. In such cases, the pharmacy benefit is subject to regulation by DMHC or CDI. However, some commercial enrollees in large group plans and some CalPERS enrollees have pharmacy benefit coverage directly from a Pharmacy Benefit Manager (PBM). In such cases, the pharmacy benefit is not subject to the regulation by DMHC or CDI. For this reason, 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.

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<sup>7</sup> California Health & Safety Code: 1367.51 and California Insurance Code: 10176.61