Top Cost Drivers of 2024 Health Plan Premiums

California Association of Health Plans

California's Health Plan premium costs in 2024 will be driven by several factors across the individual and small group marketplaces, particularly: continued inflation driving increased provider reimbursement rates, health plans taking on more of the costs of COVID-19 vaccines and tests, uncertainty around Medi-Cal "redetermination", and the continued rise in drug prices especially from emerging weight loss drugs and other specialty drugs.

Covered California's preliminary rate increase for 2024 of 9.6 percent was influenced most significantly by increases in prescription drug prices, a continued rise in health care utilization following the COVID-19 pandemic, and inflation impacts in the health care industry. However, the average annual rate increase over the past five years was just 3.6 percent, with Californians in the individual market benefiting from among the lowest average rate increases in the nation.

Here are the top factors expected to contribute to premium increases in the individual and small group markets:

1. **Inflation Driving Increased Provider Rates:** Inflation will result in higher negotiated provider payment rates and will increase premiums for 2024. Health care costs for providers are rising faster than inflation and as a result, premiums will rise.

2. **Shift in COVID-19 Vaccine and Testing Costs to Health Plans:** The end of the federal Public Health Emergency means that health plans are required to take on more of the COVID-19 vaccine and testing costs, which contributes to an increase in premiums or consumer cost-sharing.

3. **Uncertainty Surrounding Medi-Cal Redetermination:** Loss of Medi-Cal coverage due to the return of Medicaid eligibility determinations is driving some shifts in individual and small group enrollment, which could contribute to changes in premiums.

4. **Emergence of Expensive Weight-Loss and Specialty Drugs:** The growing popularity of high-priced weight loss drugs and approvals of new, expensive cell and gene therapy drugs are adding to already sky-high prescription drug costs. In California, health plans paid nearly $11 billion for prescription drugs in 2021. Prescription drugs accounted for more than 13% of total health plan premiums in 2021.

5. **Misusing the Special Enrollment Period:** Californians are eligible to get coverage outside of the open enrollment window if they have a qualifying life event like losing employer coverage, moving, or a change in family status. There is evidence that some are using the special enrollment period to forgo coverage and then enroll later in order to get medical care.
   - This practice drives up costs for everyone.
   - According to a Harvard study, people who enroll during the special enrollment period (SEP) have 34% higher health care costs than those who enroll during open enrollment. Those who enrolled during SEP had inpatient health care costs between 69% and 114% higher and emergency care costs that were between 11% and 19% higher.
   - Enforcement of the special enrollment period through documentation and verification is necessary to ensure premiums remain fair and affordable for everyone.

California's Health Plans remain committed to providing affordable, high-quality health care coverage while continuing to advocate for policies that make health care more affordable and accessible for all Californians.

● *Applies to Covered CA Only* ● *Applies to Covered CA plus the individual and small group markets*

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