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ALL PLAN LETTER

DATE: January 29, 2026

TO: Full Service Health Plans

FROM: Michelle Yamanaka
Deputy Director, Office of Financial Review

SUBJECT: APL 26-003 - LARGE GROUP RENEWAL NOTICE REQUIREMENTS

California Health and Safety Code (HSC) section 1374.21, subdivision (a)(2) requires all commercial full-service health care service plans (“plans”) to comply with disclosure requirements relating to large group renewal notices. Specifically, no change in premium rates or changes in coverage stated in a large group health care service plan contract shall become effective unless the plan has delivered in writing a notice indicating the change or changes at least 120 days prior to the contract renewal effective date.

In addition, HSC section 1385.046, subdivision (a) specifies that a large group contractholder has 60 days from receipt of their renewal notice to request the Department of Managed Health Care (DMHC) to review their rates to determine whether the rate change is unreasonable or not justified.

HSC section 1374.21, subdivision (a)(2)(D) requires the renewal notice to include information on how to obtain the rate filing required under Article 6.2 (commencing with HSC section 1385.01).

This letter provides guidance to plans on the timing and content requirements for renewal notices to large group contractholders under HSC section 1374.21 and HSC section 1385.046. For purposes of this section, large group plans include In Home Supportive Services (IHSS) products.

1. Comparison to Other Rates

Renewal notices delivered by plans shall include a statement on whether the proposed rate change in the large group health plan service contract is greater than each of the following:

- the average rate increase for individual market products negotiated by Covered California,
- the average rate increase negotiated by CalPERS, and

- the average rate increase for coverage offered in the large group market, as filed pursuant to HSC section 1385.045.

The Department confirmed and posted on its website the following average rate increases for use in the notices:

- CalPERS = 8.4% for calendar year 2026
- Covered California = 10.3% for individual market products in calendar year 2026
- Average Large Group Rate Increase = 6.5% in calendar year 2025

These percentages shall be used until the DMHC provides updated rates, likely in late 2026. The DMHC encourages plans to include the actual percentages for CalPERS and Covered California in the notice. Alternatively, plans can include information or a link to the DMHC's website below for more information on the specific average rate increases above used in the comparison.

<http://www.dmhc.ca.gov/HealthCareinCalifornia/PremiumRateReview/HealthCareCosts.aspx>

2. Large Group Contractholder Rate Review

Additionally, the renewal notice shall include information on how a large group contractholder applies to the DMHC to have its rate change reviewed. Upon receiving notice of a rate change, a large group contractholder that is experience rated in whole or blended can request the DMHC to review a rate change, if the contractholder makes the request within 60 days of receipt of their notice. A large group contractholder may only request a review of a rate change from a health plan licensed by the DMHC. To apply for a review of a rate change for a particular group, at least one of the following must apply:

- The contractholder has a combined total of more than 2,000 enrollees (employees plus dependents) enrolled in all health plans.
- The rate change is from a health plan that failed to provide you with information required under Article 6.2 of the Knox-Keene Act (Review of Rate Increases) or HSC section 1385.10 (Health Plan Annual Claims Reporting Requirements).

To request the DMHC to review a rate change, please visit [Large Group Contractholder Rate Review Request](#).

If you have any questions about compliance with the large group notice requirements, please contact Michelle Yamanaka at (916) 322-0391 or Michelle.Yamanaka@dmhc.ca.gov.