OFFICE OF THE GOVERNOR

SEP 2 7 2026

To the Members of the California State Senate:

I am returning Senate Bill 1037 without my signature.

This bill requires health plans and insurers to provide additional information in premium rate filings submitted to the Department of Managed Health Care (DMHC) and the Department of Insurance (CDI), including whether annual rate growth will exceed cost targets established by the Office of Health Care Affordability (OHCA).

In 2022, in partnership with the Legislature, my administration established OHCA, a first-of-its-kind effort in California to rein in rising healthcare costs, provide relief to consumers, and improve overall quality of care. In 2024, OHCA approved a cost growth target that applies system-wide to all healthcare entities, including hospitals, health plans, and large physician organizations. OHCA's work is ongoing, and there has not been sufficient time for enforcement or to determine the impact of the statewide cost targets.

This bill approach is premature, but the intention to address rising healthcare costs could not be more timely. As such, I am directing the DMHC and OHCA, and requesting CDI, to continue to work collaboratively to ensure that health plans' efforts to comply with the statewide cost target are considered in the premium rate review process under existing law.

For this reason, I cannot sign this bill.

Sincerely,

Gavin Newsom