

Rate Increase Justification

Today's Date: 8/18/2023

Issuer: Blue Shield of California

Rate Change Effective Date: 1/1/2024

Market: Individual & Family Plans

1. **Scope and range of the rate increase** — *Provide the number of individuals impacted by the rate increase. Explain any variation in the increase among affected individuals (e.g., describe how any changes to the rating structure impact premium).*

Blue Shield of California provides healthcare services for over 770,000 Californians who are eligible for Individual Family Plans purchased through Covered California or directly from Blue Shield. Blue Shield's 2024 premiums will increase by 15% for 2024, with increases ranging from 9.0% to 22.3% depending on geographic region, product type and metal tier.

2. **Financial experience of the product** — *Describe the overall financial experience of the product, including historical summary-level information on historical premium revenue, claims expenses, and profit. Discuss how the rate increase will affect the projected financial experience of the product.*

Determining premiums for 2024 involves understanding 2023 performance (referred to as experience) and projected 2024 expected expenses (referred to as trend). 2023 financial experience is contributing 6.8% to 2024 premium increases, reflecting that 2023 premiums did not align with the expected 2023 expenses. The uncertainty of COVID-19 related services, a bounce back and return to normal pre-COVID utilization patterns, medical and prescription drug cost inflation, and changes to the risk transfer formula contributed to this.

Blue Shield's premium revenue in 2021 and 2022 was \$5.5B and \$5.8B, respectively and claims expenses were \$5.8B and \$6.4B. Blue Shield's operating income in 2021 and 2022 as a percent of premiums is 0.4% and -4.4%, respectively.

3. **Changes in Medical Service Costs** — *Describe how changes in medical service costs are contributing to the overall rate increase. Discuss cost and utilization changes as well as any other relevant factors that are impacting overall service costs.*

Blue Shield, similar to other health plans, has experienced a significant increase in medical service costs in recent years due to direct COVID-19 services and a continued increase in utilization levels. The change in medical and pharmacy trends has contributed 7.3% to the total rate increase.

4. **Changes in benefits** — *Describe any changes in benefits and explain how benefit changes affect the rate increase. Issuers should explain whether the applicable benefit changes are required by law.*

The change in benefits has contributed -0.4% to the total rate increase. The applicable benefit changes are driven by changes made to Covered CA's standard benefit designs that will be offered in 2024.

5. **Administrative costs and anticipated margins** — *Identify the main drivers of changes in administrative costs. Discuss how changes in anticipated administrative costs and underwriting gain/loss are impacting the rate increase.*

Administrative costs reflect the costs related to operating a health plan, such as servicing members and providers, improving quality, and providing for broker commissions. Approximately 0.6% of next year's rate increase is related to increases in these expenses. As a California based, not-for-profit health plan, Blue Shield has an overall target of only 2% margin, and there was minimal change to Blue Shield's underwriting gain assumption.

California Plain-Language Rate Filing Description

Company Name: California Physicians' Service dba Blue Shield of California
 SERFF Tracking Number: BCCA-CA24-125116007

1) Justification for any unreasonable rate increases

(Include all information as to why the rate increase is justified. Attach supporting documentation.)

2) Actual Allowed Costs by Aggregate Benefit Category for the most recently completed calendar year in PMPM:

Service Category	Allowed Cost PMPM	Cost as % of Medicare
Hospital Inpatient	\$176.50	317.0%
Hospital Outpatient (including ER)	\$185.85	434.0%
Physician/Other Professional Services	\$149.53	252.1%
Laboratory (other than inpatient)	\$13.38	947.5%
Radiology (other than inpatient)	\$9.26	235.7%
Capitation (professional)	\$28.66	
Capitation (institutional)	\$11.79	
Capitation (other)	\$19.61	
Other (describe here)	\$31.87	343.9%
Medical Services	\$626.46	
Rx	\$146.67	115.6%
Medical Services + Rx	\$773.12	

3) Projected Annual Medical Services + Rx trend assumptions for all benefits

7.3%

4) Projected Medical Services + Rx Allowed Trend, by Aggregate Benefit Category, Attributable to Use of Services, Price Inflation, Fees and Risk

Service Category	Trend attributable to: Use of Services	Trend attributable to: Price Inflation	Trend attributable to: Fees and Risk	Overall Trend
Hospital Inpatient	1.9%	3.6%	0.0%	5.6%
Hospital Outpatient (including ER)	4.6%	3.6%	0.0%	8.4%
Physician/Other Professional Services	5.2%	1.9%	0.0%	7.2%
Laboratory (other than inpatient)	-2.4%	1.5%	0.0%	-1.0%
Radiology (other than inpatient)	-2.4%	1.5%	0.0%	-1.0%
Capitation (professional)	0.0%	8.5%	0.0%	8.5%
Capitation (institutional)	0.0%	8.5%	0.0%	8.5%
Capitation (other)	0.0%	8.5%	0.0%	8.5%
Other (describe here)	-2.4%	1.5%	0.0%	-1.0%
Medical Services	3.0%	3.5%	0.0%	6.6%
Rx	5.5%	4.2%	0.0%	9.9%
Medical Services + Rx	3.5%	3.6%	0.0%	7.3%

5) Other Information

Please provide any needed comments below

California Plain-Language Spreadsheet

Company Name: California Physicians' Service dba Blue Shield of California
 SERFF Tracking Number: BCCA-CA24-125116007

	From	To
After Rate Change	01/2024	12/2024
Prior to Rate Change	01/2023	12/2023

Plan Contract Form Numbers (Product Type)	Marketing Names (Product Name)	Enrollee Months Prior to Rate Change	Enrollee Months After Rate Change	Premium PMPM Prior to Rate Change	Premium PMPM After Rate Change	For the expense period on which the rates are based, premium attributed to (in percentage):							
						Medical Costs Prior to Rate Change	Medical Costs After Rate Change	*Administrative Costs Prior to Rate Change	*Administrative Costs After Rate Change	Taxes and Fees Prior to Rate Change	Taxes and Fees After Rate Change	After-tax Profit/Margin Prior to Rate	After-tax Profit/Margin After Rate Change
PPO	Platinum 90 PPO	246,959	271,498	\$1,071.93	\$1,236.28	47.9%	55.8%	10.7%	9.9%	3.3%	3.4%	38.2%	31.0%
PPO	Gold 80 PPO	814,498	846,041	\$804.50	\$910.77	80.6%	77.7%	10.7%	9.8%	3.3%	3.4%	5.4%	9.1%
PPO	Silver 70 PPO	1,878,984	2,049,824	\$775.83	\$871.77	87.1%	88.0%	10.7%	9.8%	3.3%	3.4%	-1.1%	-1.2%
PPO	Bronze 60 PPO	992,225	1,062,701	\$619.88	\$697.62	84.0%	81.5%	10.7%	9.8%	3.3%	3.4%	2.1%	5.3%
PPO	Bronze 60 HSA PPO	582,442	594,357	\$647.72	\$755.22	90.4%	84.8%	10.7%	9.8%	3.3%	3.4%	-4.4%	2.0%
PPO	Minimum Coverage PPO	19,175	20,058	\$337.05	\$398.81	33.0%	53.2%	10.6%	9.8%	3.3%	3.4%	53.1%	33.6%
PPO	Silver 70 Off Exchange PPO	654,918	618,798	\$650.94	\$740.94	83.8%	85.0%	10.7%	9.8%	3.3%	3.4%	2.3%	1.8%
PPO	Silver 2600 HSA PPO	93,852	90,510	\$642.15	\$768.54	85.0%	85.9%	10.7%	9.8%	3.3%	3.4%	1.1%	0.9%
PPO	Silver 1750 PPO	725,394	701,331	\$617.99	\$710.09	84.4%	85.4%	10.7%	9.8%	3.3%	3.4%	1.7%	1.4%
HMO	Blue Shield Platinum HMO	66,767	122,019	\$590.57	\$659.44	-38.0%	50.4%	10.7%	9.8%	3.3%	3.4%	124.1%	36.4%
HMO	Blue Shield Gold HMO	286,986	488,997	\$561.86	\$641.50	75.1%	86.1%	10.7%	9.8%	3.3%	3.4%	11.0%	0.7%
HMO	Blue Shield Silver HMO	986,402	1,081,674	\$591.41	\$687.61	92.7%	93.3%	10.7%	9.8%	3.3%	3.4%	-6.6%	-6.5%
HMO	Silver 70 Off Exchange HMO Trio	151,689	151,262	\$435.03	\$490.01	105.0%	102.4%	10.7%	9.8%	3.3%	3.4%	-19.0%	-15.5%
HMO	Bronze 7500 Trio HMO	30,217	34,484	\$312.17	\$495.98	125.0%	102.5%	10.6%	9.8%	3.3%	3.4%	-38.9%	-15.7%
Total		7,530,508	8,133,554	\$686.66	\$780.30	83.2%	83.8%	10.7%	9.8%	3.3%	3.4%	2.9%	3.0%

*Administrative expenses, i.e., non-claims costs other than taxes and regulatory fees, includes the following:
 (i) Cost containment and quality improvement expenses - § 158.150 and § 158.151.
 (ii) Loss adjustment expenses not classified as a cost containment expense.
 (iii) Direct sales salaries, workforce salaries and benefits.
 (iv) Agent and brokers fees and commissions.
 (v) General and administrative expenses.
 (vi) Community benefit expenditures.
 (vii) Beginning with the 2022 MLR reporting year, prescription drug rebates and other price concessions that are received and retained by an entity providing pharmacy benefit management services to the issuer and are associated with administering the issuer's prescription drug benefits.

Please provide any needed comments below