

## Rate Increase Justification

Today's Date: 7/22/2024

Issuer: Blue Shield of California

Rate Change Effective Date: 1/1/2025

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 720,000 Californians enrolled in either our PPO or Trio HMO plans available to purchase through Covered California or directly from Blue Shield. Blue Shield's 2025 premiums will increase on average by 8%, ranging from a decrease of 11.8% to an increase of 20.5% depending on geography, product type (HMO or PPO) and metal tier (Bronze through Platinum).

- 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 2025 involves understanding 2024 performance (referred to as experience) and projected 2025 expected expenses (referred to as trend). 2024 experience is contributing 0.9% to 2025 premium increases, reflecting that 2024 premiums did not align with the 2024 expenses.

Overall Financial Experience of Blue Shield's Individual and Family Plan Products:

	2022	2023
Premium Revenue	\$5.8 billion	\$6.1 billion
Claims Expenses	\$6.4 billion	\$6.6 billion
Operating Income as Percent of Premium	-4.2%	1.6%

- 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.*

The costs of hospital services, physician services and prescription drug coverage for our individual members continue to rise. Those increases are driven both by higher payment rates to healthcare providers, as well as increased utilization of services.

The change in medical and pharmacy trends has contributed 6.3% 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 0.3% to the total rate increase. The applicable benefit changes are driven by changes made to Covered California's standard benefit designs that will be offered in 2025.

- 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 0.1% 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 a 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-CA25-125118466

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	\$180.83	272.2%
Hospital Outpatient (including ER)	\$196.63	400.9%
Physician/Other Professional Services	\$159.24	223.1%
Laboratory (other than inpatient)	\$10.59	546.0%
Radiology (other than inpatient)	\$10.10	192.7%
Capitation (professional)	\$32.23	
Capitation (institutional)	\$15.09	
Capitation (other)	\$21.14	
Other (describe here)	\$34.21	256.6%
<b>Medical Services</b>	<b>\$660.05</b>	
Rx	\$162.31	115.4%
<b>Medical Services + Rx</b>	<b>\$822.36</b>	

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

6.3%

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	0.3%	3.4%	0.0%	3.7%
Hospital Outpatient (including ER)	3.2%	3.4%	0.0%	6.7%
Physician/Other Professional Services	3.8%	1.4%	0.0%	5.3%
Laboratory (other than inpatient)	-3.7%	0.9%	0.0%	-2.7%
Radiology (other than inpatient)	-3.7%	0.9%	0.0%	-2.7%
Capitation (professional)	0.0%	7.1%	0.0%	7.1%
Capitation (institutional)	0.0%	7.1%	0.0%	7.1%
Capitation (other)	0.0%	7.1%	0.0%	7.1%
Other (describe here)	-3.7%	0.9%	0.0%	-2.7%
<b>Medical Services</b>	<b>1.7%</b>	<b>3.1%</b>	<b>0.0%</b>	<b>4.9%</b>
Rx	1.5%	10.2%	0.0%	11.8%
<b>Medical Services + Rx</b>	<b>1.7%</b>	<b>4.6%</b>	<b>0.0%</b>	<b>6.3%</b>

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-CA25-125118466

After Rate Change From 01/2025 To 12/2025  
 Prior to Rate Change 01/2024 12/2024

For the expense period on which the rates are based, premium attributed to (in percentage):

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	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 Prior After Rate Change	After-tax Profit/Margin Prior to Rate Change	After-tax Profit/Margin After Rate Change
PPO	Platinum 90 PPO	271,498	225,860	\$1,236.28	\$1,313.71	55.8%	53.7%	9.9%	9.8%	3.4%	2.7%	31.0%	33.8%
PPO	Gold 80 PPO	846,041	641,670	\$910.77	\$961.71	77.7%	78.7%	9.8%	9.8%	3.4%	2.7%	9.1%	8.8%
PPO	Silver 70 PPO	2,049,824	2,148,259	\$871.77	\$906.40	88.0%	87.7%	9.8%	9.8%	3.4%	2.7%	-1.2%	-0.3%
PPO	Bronze 60 PPO	1,062,701	1,137,374	\$697.62	\$750.29	81.5%	81.2%	9.8%	9.8%	3.4%	2.7%	5.3%	6.2%
PPO	Bronze 60 HSA PPO	594,357	494,086	\$755.22	\$813.47	84.8%	84.5%	9.8%	9.8%	3.4%	2.7%	2.0%	3.0%
PPO	Minimum Coverage PPO	20,058	12,228	\$398.81	\$421.71	53.2%	65.0%	9.8%	9.8%	3.4%	2.7%	33.6%	22.5%
PPO	Silver 70 Off Exchange PPO	618,798	553,558	\$740.94	\$790.53	85.0%	88.1%	9.8%	9.8%	3.4%	2.7%	1.8%	-0.6%
PPO	Silver 2600 HSA PPO	90,510	89,019	\$768.54	\$808.59	85.9%	86.2%	9.8%	9.8%	3.4%	2.7%	0.9%	1.3%
PPO	Silver 1750 PPO	701,331	632,943	\$710.09	\$758.21	85.4%	86.1%	9.8%	9.8%	3.4%	2.7%	1.4%	1.4%
HMO	Blue Shield Platinum HMO	122,019	112,870	\$659.44	\$728.99	50.4%	52.2%	9.8%	9.8%	3.4%	2.7%	36.4%	35.3%
HMO	Blue Shield Gold HMO	488,997	299,498	\$641.50	\$665.00	86.1%	90.9%	9.8%	9.8%	3.4%	2.7%	0.7%	-3.4%
HMO	Blue Shield Silver HMO	1,081,674	1,217,409	\$687.61	\$718.22	93.3%	91.8%	9.8%	9.8%	3.4%	2.7%	-6.5%	-4.4%
HMO	Silver 70 Off Exchange HMO Trio	151,262	171,510	\$490.01	\$539.23	102.4%	100.3%	9.8%	9.8%	3.4%	2.7%	-15.5%	-12.8%
HMO	Bronze 7500 Trio HMO	34,484	33,660	\$495.98	\$526.04	102.5%	105.9%	9.8%	9.8%	3.4%	2.7%	-15.7%	-18.4%
<b>Total</b>		<b>8,133,554</b>	<b>7,769,944</b>	<b>\$780.30</b>	<b>\$820.72</b>	<b>83.8%</b>	<b>84.5%</b>	<b>9.8%</b>	<b>9.8%</b>	<b>3.4%</b>	<b>2.7%</b>	<b>3.0%</b>	<b>3.0%</b>

\*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