Rate Increase Justification

Today's Date: November 16, 2023

Issuer: California Physicians' Service, dba Blue Shield of California

Rate Change Effective Date: April 1, 2024

Market: Small Group

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's premium rate changes for ACA-compliant plans effective April 1, 2024 include an average annual rate increase of 8.5% with plan level annual rate increases ranging between 4.4% and 14.9%. This increase will impact approximately 38,327 policy holders in the second quarter of 2024.

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.*

   The proposed rate increase will cover projected medical trends and yield a medical loss ratio (MLR) of 83.5% for the Q2 2024 cohort, meaning 83.5 cents of each premium dollar is expected to go toward members' medical expenses and improving health care quality. This projected MLR of 83.5% exceeds the minimum MLR requirement of 80.0% as defined in the Affordable Care Act.

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 main cause of this rate increase is the continuing increase in the cost of health care coupled with increases in the consumption of services, or utilization, by members.

   The cost of health care continues to rise for services, or unit costs, primarily from hospitals, physicians and pharmaceutical companies. This is primarily because of advances in technology, general inflationary pressures, and new medications. Changes in utilization of services can be driven by the aging of the population, as well as other factors.

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.*

   Although it can lead to changes in utilization of services, no current changes in benefit design are leading to increased costs of any significance for this plan year.

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.*

No current increases in administrative costs and anticipated margins are leading to increased costs of any significance for this plan year.