Rate Increase Justification

Today's Date: July 28, 2026

Issuer: Blue Shield of California (HIOS ID: 70285)

Rate Change Effective Date: 1/1/2027

Market: Individual

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).*

   Premium rate changes for Affordable Care Act compliant Individual Market health insurance plans for the 2027 plan year include an average annual rate increase of 6.5%. The increase of 6.5% will impact approximately 140,000 renewing California Individual members in the first quarter of 2027. The average increase of 6.5% on DHMO includes regional variation with regions 2 and 12 receiving a rate pass, region 9 receiving a 20.0% rate increase, and all other regions receiving a 6.7% rate increase.

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.*

   2026 experience is contributing 3.5% to 2027 premium increases. After a rate pass in 2026, the 2026 premiums are not aligned with the 2026 expenses.

   Overall Financial Experience of Blue Shields's Family Dental Plan Products:

	2024	**2025**
Premium Revenue	$35.8 million	$42.7 million
Claims Expenses	$24.7 million	$29.0 million
Operating Income as Percent of Premium	2.4%	3.8%

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 experience period of January 1, 2025 through December 31, 2025 was used as the basis of our projections for claims costs, membership, and premiums for the 2027 plan year. The projections include an assumption for trend, but do not consider any potential changes in contracting, behavior, morbidity, regulations, or other factors which may change future claim patterns. The cost trend assumption contributes 1.9% to the 2027 premium 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.*

   There are no changes to benefits in 2027 relative to 2026.

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.*

   Changes in this year's administrative costs are contributing 0.3% to 2027 premium increases.

   While administrative costs increased, we lowered our target margin to offset the rate impact.