

California Health Insurance Rate Review

An analysis of implementation and results for consumers

Consumers and small businesses have seen lower health insurance rate hikes thanks to increased scrutiny and public transparency under California’s new rate review process.

Rate review has saved Californians millions of dollars, with regulators pressing insurers to voluntarily reduce rate increases to reasonable levels. But in order to fully protect consumers and small businesses from unreasonable rate hikes, rate review must be strengthened.

Under California’s rate review law established in 2011, health insurance carriers must publicly justify any proposed rate increase on individual or small group plans. Health insurance carriers must submit rate filings to state officials for review, and the public is able to access the filings online and comment on them.

Depending on the type of health insurance, filings are reviewed either by the California Department of Insurance (CDI) or the Department of Managed Health Care (DMHC). These agencies use their own actuarial staff to review each rate filing in the individual and small group market to determine if the proposed rate is reasonable.

Regulators also post rate filing documents and give the public the opportunity to review and comment. The regulators then meet with the carriers to clarify or challenge the assumptions driving projected cost increases, or request any missing information. They can request that the carriers modify or reduce rate increases if they find that they are unjustified but the insurance company can decide whether to comply with the request. If they do not, the regulator can make an official determination that the rate filing is “unreasonable.”

In this brief, CALPIRG examines the implementation of rate review in California, and the results it has achieved for consumers and small employers across the state. Our analysis includes rate filings that were scheduled to go into effect between January 1, 2011 and April 1, 2014.

Key findings

- Health insurance carriers have filed 369 proposed rate changes in the individual and small group markets.ⁱ
- As a result of objections raised in the rate review process, carriers have voluntarily reduced or withdrawn 44 rate hikes.ⁱⁱ

- At least 14 times, health insurance carriers have moved forward with rate increases that regulators found unreasonable.ⁱⁱⁱ
- Rate review has saved California consumers and small businesses \$349 million in health insurance premiums since 2011, according to estimates by state regulators.^{iv}
- An estimated 1.3 million Californians benefited from reduced or withdrawn rate increases on average in each of the first three full years of rate review.^v
- An estimated 923,237 Californians have been subject to rate hikes that were declared unreasonable but still went into effect.^{vi}

Table 1: Summary of Rate Review Results by Regulator

Agency	Total Number of Filings Reviewed	Number of Filings Reduced after Review	Number of Filings Declared "Unreasonable"	Consumer Savings Estimated by Agency Staff
CDI	160	33	13	\$291,058,970
DMHC	209	11	3	\$58,000,000
Total	369	44	16	\$349,058,970

Table 2: Total Number of Californians Benefiting from Rate Reductions by Year^{vii}

2011	1,978,911
2012	962,830
2013	1,161,607
Average:	1,367,783

Table 3: Rate Increases Reduced After Review

Agency	Company	Tracking #	Proposed Average Increase	Adopted Average Increase	Covered Lives	Proposed Effective Date
CDI	Anthem Blue Cross Life and Health Insurance Company	PF-2010-02061	9.8%	9.6%	Not provided	1/1/2011
CDI	Anthem Blue Cross Life and Health Insurance Company	PF-2010-02062	15.0%	Withdrawn	354	1/1/2011
CDI	Connecticut General Life Insurance Company	PF-2010-02230	10.0%	9.0%	186	1/1/2011
CDI	Blue Shield of California Life & Health Insurance Company	PF-2010-02083	27.8%	Withdrawn	252,983	3/1/2011
DMHC	Health Net of California, Inc.	HNLH-127062271	12.3%	9.6%	180,478	5/1/2011
CDI	Aetna Life Insurance Company	PF-2010-02396	21.0%	18.8%	21,000	7/1/2011
CDI	Aetna Life Insurance Company	PF-2011-00542	15.6%	10%	49,858	7/1/2011
CDI	Aetna Life Insurance Company	PF-2011-00827	16.8%	13.6%	93,246	7/1/2011
CDI	Anthem Blue Cross Life and Health Insurance Company	PF-2011-00002	9.8%	9.1%	638,631	7/1/2011
CDI	Anthem Blue Cross Life and Health Insurance Company	PF-2011-00660	7%	3%	17,505	7/1/2011
DMHC	Health Net of California, Inc.	HNLH-127139743	12.6%	10.1%	26,814	7/1/2011
DMHC	Kaiser Foundation Health Plan, Inc.	KHPI-127146976	12.0%	10.8%	1,081	7/1/2011
DMHC	Kaiser Foundation Health Plan, Inc.	KHPI-127146900	10.7%	9.5%	695,634	7/1/2011
CDI	Kaiser Permanente Insurance Company	PF-2011-00829	12%	10.8%	1,051	7/1/2011
CDI	American Heritage Life Insurance Company	PF-2011-00988	20%	10%	42	8/1/2011

Agency	Company	Tracking #	Proposed Average Increase	Adopted Average Increase	Covered Lives	Proposed Effective Date
CDI	American Heritage Life Insurance Company	PF-2011-01000	20%	10%	48	8/1/2011
CDI	Aetna Life Insurance Company	PF-2011-01551	10.9%	9.4%	83,198	10/1/2011
CDI	Aetna Life Insurance Company	PF-2011-01689	13.7%	9.3%	50,215	1/1/2012
CDI	UnitedHealthcare Insurance Company	PF-2011-01701	11%	10.5%	10,410	2/1/2012
DMHC	California Physicians' Service DBA: Blue Shield of California	BCCA-127793357	14.8%	8.9%	55,758	3/1/2012
CDI	Central United Life Insurance Company	PF-2011-02455	9%	Withdrawn	34	4/1/2012
CDI	Anthem Blue Cross Life and Health Insurance Company	PF-2011-02236	10.8%	8.3%	390,000	5/1/2012
CDI	Anthem Blue Cross Life and Health Insurance Company	PF-2011-02237	9.6%	8.1%	205,000	5/1/2012
CDI	Aetna Life Insurance Company	HAO-2012-0035	16.3%	13.5%	74,318	7/1/2012
CDI	Aetna Life Insurance Company	HAO-2012-0077	9.6%	4.7%	68,972	7/1/2012
CDI	Anthem Blue Cross Life and Health Insurance Company	HAO-2012-0050	5.9%	Withdrawn	51,691	7/1/2012
CDI	Blue Shield of California Life & Health Insurance Company	HAO-2012-0038	6%	4.4%	51,697	7/1/2012
CDI	Health Net Life Insurance Company	HAO-2012-0082	22.6%	16.1%	377	7/1/2012
CDI	Anthem Blue Cross Life and Health Insurance Company	HAO-2012-0162	6.9%	6.2%	51,422	10/1/2012
CDI	John Alden Life Insurance Company	HAO-2012-0008	9.9%	-5%	2,179	10/1/2012

Agency	Company	Tracking #	Proposed Average Increase	Adopted Average Increase	Covered Lives	Proposed Effective Date
CDI	Time Insurance Company	HAO-2012-0011	9.9%	-5%	2,179	10/1/2012
DMHC	Aetna Health of California, Inc.	AETN-128693505	12.8%	11.3%	75,819	1/1/2013
CDI	Aetna Life Insurance Company	HAO-2012-0182	8%	5.10%	38,446	1/1/2013
CDI	UnitedHealthcare Insurance Company	HAO-2012-0176	5.30%	2.80%	18,670	1/1/2013
CDI	Anthem Blue Cross Life and Health Insurance Company	HAO-2012-0189	24.60%	19.40%	296,059	2/1/2013
CDI	Anthem Blue Cross Life and Health Insurance Company	HAO-2012-0190	28.10%	25.60%	340,085	2/1/2013
DMHC	Blue Cross of California	AWLP-128772955	15%	12.50%	85,834	2/1/2013
DMHC	Blue Cross of California	AWLP-128773104	14.60%	12.10%	7,724	2/1/2013
CDI	Aetna Life Insurance Company	HAO-2012-0191	18.80%	12.40%	68,766	4/1/2013
DMHC	Blue Cross of California	AWLP-128797997	4%	3.70%	108,401	4/1/2013
CDI	Blue Shield of California Life & Health Insurance Company	HAO-2013-0031	10.90%	10%	179,188	7/1/2013
DMHC	UHC of California	AMMS-128937373	18.20%	Withdrawn	4,506	7/1/2013
DMHC	UHC of California	UHLC-129046703	8.30%	6.60%	4,643	8/1/2013
CDI	UnitedHealthcare Insurance Company	HAO-2013-0039	9.00%	Withdrawn	2,232	8/1/2013

Table 4: Rate Increases Declared Unreasonable^{viii}

Agency	Company	Tracking #	Proposed Average Increase	Adopted Average Increase	Covered Lives	Proposed Effective Date
DMHC	Blue Cross of California	20102521	16.1%	16.1%	150,983	5/1/2011
CDI	Aetna Life Insurance Company	HAO-2012-0010	8.0%	8.0%	72,531	4/1/2012
DMHC	Aetna Health of California, Inc.	AETN-128693505	12.8%	11.3%	75,819	1/1/2013
CDI	Aetna Life Insurance Company	HAO-2013-0040 [^]	8.0%	8.0%	25,592	7/1/2013
CDI	Anthem Blue Cross Life and Health Insurance Company	HAO-2012-0177	6.5%	6.5%	52,396	1/1/2013
CDI	Anthem Blue Cross Life and Health Insurance Company	HAO-2013-0013 [^]	9.6%	9.6%	45,235	4/1/2013
CDI	Anthem Blue Cross Life and Health Insurance Company	HAO-2013-0045	17.6%	17.6%	37,352	7/1/2013
CDI	Blue Shield of California Life and Health Insurance Company	HAO-2012-0195 [^]	11.7%	11.7%	268,653	3/1/2013
CDI	Blue Shield of California Life and Health Insurance Company	HAO-2013-0031 [^]	10.9%	10.0%	179,188	7/1/2013
DMHC	California Physicians' Service DBA: Blue Shield of California	BCCA-128784554	11.8%	11.8%	27,283	3/1/2013

Agency	Company	Tracking #	Proposed Average Increase	Adopted Average Increase	Covered Lives	Proposed Effective Date
CDI	SeeChange Health Insurance Company	HAO-2013-0151^	40.0%	40.0%	3,135	11/1/2013
CDI	United HealthCare Insurance Company	HAO-2013-0028	7.7%	7.7%	12,234	5/1/2013
CDI	United HealthCare Insurance Company	HAO-2013-0088^	10.1%	10.1%	12,530	8/1/2013
CDI	Blue Shield of California Life and Health Insurance Company	HAO-2013-0160	22.6%	22.6%	81,015	1/1/2014
CDI	Blue Shield of California Life and Health Insurance Company	HAO-2013-0146	N/A	Withdrawn	unknown	1/1/2014
CDI	Blue Shield of California Life and Health Insurance Company	HAO-2013-0149	N/A	Withdrawn	unknown	1/1/2014
Total covered lives					923,237	

Policy Recommendations

Extend rate review to large groups. Rate review is a proven success. It has protected consumers from paying hundreds of millions of dollars in unreasonable rate increases. Large employers and their employees deserve the same protection. The adoption of SB 1182 (Leno), would extend the scope of rate review to the large group market, which is the next step in making sure that more Californians are protected by insurance regulators at the CDI and DMHC.

Give regulators the power to reject or modify rate increases. California consumers and businesses should not be subjected to unreasonable rate increases. Especially as we move into a framework with individual and employer mandates, regulators must have the authority to reject or modify rates to protect consumers and businesses from paying premiums that carriers have failed to justify.

Require rate increases to be based on reasonable administrative costs. Rate review should protect consumers from rates based on

excessive or unjustified overhead expenses. Insurers should itemize their administrative expenses, and justify any increase exceeding the rate of inflation. We recommend that administrative costs be reported on a per member, per month basis.

Require Insurers to use their leverage to cut waste and improve care. In addition to cutting their own administrative waste, carriers have an important role to play in cutting waste and improving care in the health care delivery system. By encouraging providers in their networks to prioritize quality care that cuts cost – such as prevention, patient safety, coordination of care and effective disease management – and by negotiating lower prices, carriers can help slow the increase in medical costs and improve the health of their enrollees. Insurance companies should be required to report what strategies they are using to improve care and cut waste. With that information, California can use rate review as a tool to ensure insurers are doing everything they can to cut waste and improve care before they raise premiums.

Endnotes:

ⁱ The CDI database of rate filings is housed here: <https://interactive.web.insurance.ca.gov/apex/f?p=102:4:0::NO>
The DMHC database is housed here: <http://wpso.dmhc.ca.gov/ratereview/Default.aspx>

ⁱⁱ See tables 1 and 3. Based on rate requests that have been reduced after their initial filing, as reported in the CDI and DMHC databases.

ⁱⁱⁱ See Table 4.

^{iv} Estimates provided by actuarial staff of CDI and DMHC. CDI savings numbers were provided to CALPIRG in emails dated April 2, 2013 (for 2011 and 2012) and February 25, 2014 (for 2013). Total DMHC savings numbers were provided to CALPIRG in an email dated February 26, 2014.

^v See tables 2 and 3.

^{vi} See Table 4. This figure is the sum total of covered lives reported, excluding HAO-2013-0040, HAO-2013-0013, HAO-2013-0045, and HAO-2013-0088 because of the presumed population overlap with other filings on this list.

^{vii} See Table 3. These figures are the sum totals of the covered lives reported, excluding PF-2011-01551, HAO-2012-0162, and HAO-2012-0191 because of the presumed population overlap with other filings on this list.

^{viii} These filings were declared unreasonable on the DMHC and CDI interactive filing websites, with the exception of filings marked with a “^” by their filing number. These filings do not have statements on their rate filing websites, but agency staff confirmed with CALPIRG that they were declared unreasonable. Table 4’s estimate of “Total Covered lives” was calculated using the sum total of the covered lives reported, excluding cases where there were multiple filings in one year for the same covered lives. These were excluded from the total in order to avoid presumed population overlap with other filings on the list.

This analysis was written by Zach Weinstein and Emily Rusch of CALPIRG.

The authors would like to thank the staff at the Department of Managed Health Care and the Department of Insurance for providing data at our request and responding to questions promptly. The authors would also like to thank Laura Etherton from U.S.PIRG, Betsy Imholz from Consumers Union, and Beth Capell for reviewing a draft of this analysis.



California Public Interest Research Group
1314 H St. Suite 100
Sacramento, CA 95814
916-448-4516
www.calpirg.org