



# California Health Insurance Rate Review: the First Five Years

*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 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. 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 oversee the review of 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 posted rate filings that were scheduled to go into effect between January 1, 2011 and January 1, 2016.

## Key findings

- Health insurance carriers have filed 565 proposed rate changes in the individual and small group markets.<sup>i</sup>
- Carriers have voluntarily reduced or withdrawn 69 rate hikes after beginning the rate review process.<sup>ii</sup>
- Between January 1, 2011 and January 1, 2016, DMHC and CDI estimate that

consumers have saved \$417 million from rate hikes that were filed with the regulator and subsequently reduced.<sup>iii</sup>

- At least 26 times, health insurance carriers have moved forward with rate increases that regulators found unreasonable. Four rate hikes that were declared unreasonable were subsequently withdrawn.<sup>iv</sup>
- Over the last five years, an estimated 1,178,191 Californians have been

subject to rate hikes that were declared unreasonable but still went into effect. Many of the same health insurance products have had multiple rate hikes declared unreasonable.<sup>v</sup>

- In 2015 alone, consumers could have saved as much as \$46 million on their premiums if insurers had agreed to lower their rates to the level that regulators deemed “reasonable.”<sup>vi</sup>

**Table 1: Summary of Rate Review Results by Regulator**

Agency	Total Number of Filings Posted and Reviewed	Number of Filings Reduced or Withdrawn	% of Filings Reduced or Withdrawn	Number of Filings Declared "Unreasonable"	% of Filings Declared "Unreasonable"
CDI	217	54	25%	24	11%
DMHC	348	15	4%	6	2%
<b>Total</b>	<b>565</b>	<b>69</b>	<b>12%</b>	<b>30</b>	<b>5%</b>

**Table 2: Rate Increases Reduced or Withdrawn 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	252983	3/1/2011
CDI	Celtic Insurance Company	PF-2011-00175		Withdrawn	Not provided	4/1/2011
CDI	Celtic Insurance Company	PF-2011-00176		Withdrawn	Not provided	4/1/2011
DMHC	Health Net of California, Inc.	HNLH-127062271	12.3%	9.6%	180478	5/1/2011
CDI	Aetna Life Insurance Company	PF-2010-02396	21.0%	18.8%	21000	7/1/2011
CDI	Aetna Life Insurance Company	PF-2011-00542	15.6%	10%	49858	7/1/2011
CDI	Aetna Life Insurance Company	PF-2011-00827	16.8%	13.6%	93246	7/1/2011
CDI	Anthem Blue Cross Life and Health Insurance Company	PF-2011-00002	9.8%	9.1%	638631	7/1/2011
CDI	Anthem Blue Cross Life and Health Insurance Company	PF-2011-00660	7%	3%	17505	7/1/2011
DMHC	Health Net of California, Inc.	HNLH-127139743	12.6%	10.1%	26814	7/1/2011
DMHC	Kaiser Foundation Health Plan, Inc.	KHPI-127146976	12.0%	10.8%	1081	7/1/2011
DMHC	Kaiser Foundation Health Plan, Inc.	KHPI-127146900	10.7%	9.5%	695634	7/1/2011
CDI	Kaiser Permanente Insurance Company	PF-2011-00829	12%	10.8%	1051	7/1/2011
CDI	Aetna Life Insurance Company	PF-2011-01551	10.9%	9.4%	83198	10/1/2011
CDI	Aetna Life Insurance Company	PF-2011-01689	13.7%	9.3%	50215	1/1/2012

Agency	Company	Tracking #	Proposed Average Increase	Adopted Average Increase	Covered Lives	Proposed Effective Date
CDI	UnitedHealthcare Insurance Company	PF-2011-01701	11%	10.5%	10410	2/1/2012
DMHC	California Physicians' Service DBA: Blue Shield of California	BCCA-127793357	14.8%	8.9%	55758	3/1/2012
CDI	Central United Life Insurance Company	PF-2011-02455	9%	Withdrawn	34	4/1/2012
CDI	Aetna Life Insurance Company	HAO-2012-0010	8.00%	Withdrawn	72531	4/1/2012
CDI	Anthem Blue Cross Life and Health Insurance Company	PF-2011-02236	10.8%	8.3%	390000	5/1/2012
CDI	Anthem Blue Cross Life and Health Insurance Company	PF-2011-02237	9.6%	8.1%	205000	5/1/2012
CDI	Aetna Life Insurance Company	HAO-2012-0035	16.3%	13.5%	74318	7/1/2012
CDI	Aetna Life Insurance Company	HAO-2012-0077	9.6%	4.7%	68972	7/1/2012
CDI	Anthem Blue Cross Life and Health Insurance Company	HAO-2012-0050	5.9%	Withdrawn	51691	7/1/2012
CDI	Blue Shield of California Life & Health Insurance Company	HAO-2012-0038	6%	4.4%	51697	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%	51422	10/1/2012
CDI	John Alden Life Insurance Company	HAO-2012-0008	9.9%	-5%	2179	10/1/2012
CDI	Time Insurance Company	HAO-2012-0011	9.9%	-5%	2179	10/1/2012
DMHC	Aetna Health of California, Inc.	AETN-128693505	10.9%	10.6%	75819	1/1/2013
CDI	Aetna Life Insurance Company	HAO-2012-0182	8%	5.10%	38446	1/1/2013
CDI	UnitedHealthcare Insurance Company	HAO-2012-0176	5.30%	2.80%	18670	1/1/2013
CDI	Anthem Blue Cross Life and Health Insurance Company	HAO-2012-0189	24.60%	19.40%	296059	2/1/2013

Agency	Company	Tracking #	Proposed Average Increase	Adopted Average Increase	Covered Lives	Proposed Effective Date
CDI	Anthem Blue Cross Life and Health Insurance Company	HAO-2012-0190	28.10%	25.60%	340085	2/1/2013
DMHC	Blue Cross of California	AWLP-128772955	15%	12.50%	85834	2/1/2013
DMHC	Blue Cross of California	AWLP-128773104	14.60%	12.10%	7724	2/1/2013
CDI	Aetna Life Insurance Company	HAO-2012-0191	18.80%	12.40%	68766	4/1/2013
DMHC	Blue Cross of California	AWLP-128797997	4%	3.70%	108401	4/1/2013
CDI	Blue Shield of California Life & Health Insurance Company	HAO-2013-0031	10.90%	10%	179188	7/1/2013
DMHC	UHC of California	AMMS-128937373	18.20%	Withdrawn	4506	7/1/2013
CDI	UnitedHealthcare Insurance Company	HAO-2013-0039	9.00%	Withdrawn	2232	8/1/2013
DMHC	UHC of California	UHLC-129046703	8.30%	6.60%	4643	11/1/2013
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
CDI	Health Net Life Insurance Company	HAO-2013-0109	New product	withdrawn	New product	1/1/2014
CDI	Health Net Life Insurance Company	HAO-2013-0150	New product	Withdrawn	New product	1/1/2014
CDI	Time Insurance Company	PF-2013-01105	New product	Withdrawn	New product	1/1/2014
CDI	Aetna Life Insurance Company	HAO-2013-0141	New product	2.2% decrease (6.5 mil. savings)	69700	1/1/2014
CDI	Health Net Life Insurance Company	HAO-2013-0108	New product	2% decrease from initial filing	New product	1/1/2014
CDI	Humana Insurance Company	HAO-2013-0161	New product	16.8% decrease from initial	New product	1/1/2014

Agency	Company	Tracking #	Proposed Average Increase	Adopted Average Increase	Covered Lives	Proposed Effective Date
CDI	Kaiser Permanente Insurance Company	HAO-2013-0152	New product	12% decrease from initial filing	New product	1/1/2014
DMHC	Blue Cross of California	AWLP-129314159	9.90%	7%	68878	4/1/2014
CDI	Health Net Life Insurance Company	HAO-2014-0078 // HNLI-129520211	12.20%	11%	6500	7/1/2014
DMHC	Blue Cross of California	AWLP-129588136	15.20%	13%	282983	10/1/2014
CDI	Kaiser Permanente Insurance Company	HAO-2014-0237 // KSPM-129577606	7.40%	2%	308	1/1/2015
CDI	Health Net Life Insurance Company	HAO-2014-0163 // HNLI-129578696	7.90%	5%	16256	1/1/2015
CDI	Time Insurance Company	HAO-2014-0156	28.30%	24%	28395	1/1/2015
CDI	Kaiser Permanente Insurance Company	HAO-2014-0237	7.40%	2%	308	1/1/2015
CDI	Humana Insurance Company	HAO-2014-0224	1.4% (new product)	Withdrawn	91	1/1/2015
CDI	Celtic Insurance Company	HAO-2014-0205	New product	Withdrawn	New product	1/1/2015
DMHC	Health Net of California, Inc.	HNLH-129821794	9.50%	8.6%	41841	2/1/2015
CDI	Aetna Life Insurance Company	HAO-2015-0015	12.00%	10%	6095	4/1/2015
CDI	Central United Life Insurance Company	HAO-2015-0033	8.50%	5%	26	6/1/2015
CDI	Health Net Life Insurance Company	HAO-2015-0113	17.10%	10%	14925	1/1/2016
DMHC	Medi-Excel, SA de CV	MEHP-130117595	0.00%	-4%	565	1/1/2016
CDI	Aetna Health of California, Inc.	HAO-2015-0105	10%	6%	4981	1/1/2016

**Table 3: Rate Increases Declared Unreasonable<sup>vii</sup>**

<b>Company</b>	<b>Tracking #</b>	<b>Proposed Average Increase</b>	<b>Adopted Average Increase</b>	<b>Covered Lives</b>	<b>Proposed Effective Date</b>
Blue Cross of California	20102521	16.1%	16.1%	150983	5/1/2011
Aetna Life Insurance Company	HAO-2012-0010	8.0%	Withdrawn	72531	4/1/2012
Anthem Blue Cross Life and Health Insurance Company	HAO-2012-0177	6.5%	6.5%	52396	1/1/2013
Blue Shield of California Life and Health Insurance Company	HAO-2012-0195	11.7%	11.7%	268653	3/1/2013
California Physicians' Service DBA: Blue Shield of California	BCCA-128784554	11.8%	11.8%	27283	3/1/2013
Aetna Health of California, Inc.	AETN-128693505	13.1%	11.4%	75819	4/1/2013
Anthem Blue Cross Life and Health Insurance Company	HAO-2013-0013^	9.6%	9.6%	45235	4/1/2013
United HealthCare Insurance Company	HAO-2013-0028	7.7%	7.7%	12234	5/1/2013
Aetna Life Insurance Company	HAO-2013-0040^	8.0%	8.0%	25592	7/1/2013
Anthem Blue Cross Life and Health Insurance Company	HAO-2013-0045	17.6%	17.6%	37352	7/1/2013
Blue Shield of California Life and Health Insurance Company	HAO-2013-0031^	10.9%	10.0%	179188	7/1/2013
United HealthCare Insurance Company	HAO-2013-0088^	10.1%	10.1%	12530	8/1/2013
SeeChange Health Insurance Company	HAO-2013-0151^	40.0%	40.0%	3135	11/1/2013
Blue Shield of California Life and Health Insurance Company	HAO-2013-0160	22.6%	22.6%	81015	1/1/2014
Blue Shield of California Life and Health Insurance Company	HAO-2013-0146	N/A	Withdrawn	unknown	1/1/2014
Blue Shield of California Life and Health Insurance Company	HAO-2013-0149	N/A	Withdrawn	unknown	1/1/2014
Aetna Life Insurance Company	HAO-2014-0021	2.3%	2.3%	68400	4/1/2014

Company	Tracking #	Proposed Average Increase	Adopted Average Increase	Covered Lives	Proposed Effective Date
Anthem Blue Cross Life and Health Insurance Company	HAO-2013-0171	16.4%	16.4%	225000	4/1/2014
Anthem Blue Cross Life and Health Insurance Company	HAO-2014-0192	9.8%	7.8%	119680	10/1/2014
Blue Shield of California Life and Health Insurance Company	HAO-2014-0198	9.9%	9.9%	209571	10/1/2014
Aetna Health of California, Inc.	AETN-129577528	17.3%	17.3%	75264	1/1/2015
Aetna Life Insurance Company	HAO-2014-0182	10.7%	10.7%	65000	1/1/2015
Anthem Blue Cross Life and Health Insurance Company	HAO-2014-0200	-%	-%	-	1/1/2015
Blue Shield of California Life and Health Insurance Company	HAO-2014-0231	9.6%	9.6%	61528	1/1/2015
Humana Insurance Company	HAO-2014-0224	1.4%%	Withdrawn	91	1/1/2015
Aetna Health of California, Inc.	AETN-129884062	19.2%	19.2%	89454	4/1/2015
Aetna Life Insurance Company	HAO-2015-0078	23.1%	23.1%	7512	7/1/2015
Aetna Health of California, Inc.	AETN-130035569	21.0%	21.0%	82258	7/1/2015
Aetna Life Insurance Company	HAO-2015-0189	27.5%	27.5%	7512	10/1/2015
Health Net Life Insurance Company	HAO-2015-0187	11.9%	11.9%	3798	10/1/2015
<b>Estimated covered lives</b>				<b>1,178,191</b>	

^These filings were found unreasonable by the CDI. However there are no public records.



**Table 4: Estimated Consumer Savings from Reduced Rate Increases from 2011-2015<sup>viii</sup>**

Agency	Estimated Consumer Savings from Reduced Rates
CDI	\$ 316,034,390
DMHC	\$ 101,100,000
<b>Total</b>	<b>\$ 417,134,390</b>

**Table 5: Estimated Foregone Consumer Savings from Unreasonable Rates in 2015<sup>x</sup>**

Agency	Company	Tracking #	Adopted Average Increase	Covered Lives	Foregone Savings	Proposed Effective Date
DMHC	Aetna Life Insurance Company	AETN-129577528	17.3%	75,264	\$ 24,000,000.00	1/1/2015
DMHC	Aetna Life Insurance Company	AETN-129884062	19.2%	89,454	\$ 11,000,000.00	4/1/2015
CDI	Aetna Life Insurance Company	HAO-2015-0078	23.1%	7,512	\$ 930,000.00	7/1/2015
DMHC	Aetna Life Insurance Company	AETN-130035569	21.0%	82,258	\$ 4,000,000.00	7/1/2015
CDI	Aetna Life Insurance Company	HAO-2015-0189	27.5%	7,512	\$ 5,500,000.00	10/1/2015
CDI	Health Net Life Insurance Company	HAO-2015-0187	11.9%	3,798	\$ 612,000.00	10/1/2015
<b>Total Foregone Savings in 2015</b>					<b>\$ 46,042,000.00</b>	

## Policy Recommendations

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

**Give consumers the ability to walk away from rate hikes that are declared unreasonable.** If insurers are allowed to proceed with unreasonable rate hikes, at the bare minimum policymakers should require insurers to notify their consumers that their rate is unreasonable, and allow consumers to shop around for different coverage.

**Require rate increases to be based on reasonable administrative costs.** Rate review should protect consumers from increases that are inflated by excessive or unjustified overhead expenses. Insurers should be required to 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 are already asked to report what strategies they are using to contain costs and improve care but they rarely provide that information. 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. Regulators should demand better information from the insurers before determining that a rate is reasonable.

## Endnotes:

<sup>i</sup> 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://wpsso.dmhc.ca.gov/ratereview/Default.aspx>

<sup>ii</sup> This figure is based on rate filings that have been reduced or withdrawn after their initial filing, as reported in the CDI and DMHC databases and confirmed with regulators. Some products may have been reduced or withdrawn for reasons independent of the rate review process. See Table 2 for details.

<sup>iii</sup> This figure is based on rate filings that have been declared unreasonable, as reported in the CDI and DMHC databases and confirmed with regulators. See Table 4 for details.

<sup>iv</sup> See Table 3 for details.

<sup>v</sup> See Table 3. This figure is the sum total of covered lives reported, excluding rate filings that we assume have population overlap with other filings on this list.

<sup>vi</sup> See Table 5 for details.

<sup>vii</sup> 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 rate filings that we assume have population overlap with other filings on this list.

<sup>viii</sup> This information was provided to CALPIRG staff in emails from the two agencies. CDI noted that their calculation referred only to rate filings that were reduced, not the rate filings that were withdrawn. Furthermore, CDI noted that this figure only refers to major medical filings.

<sup>ix</sup> This information is available in the dispositional comments the overseeing agency wrote and posted on the rate filing website.

*This analysis was written by Beatrice Waterhouse and Emily Rusch of CALPIRG.*

*The authors would like to thank staff at DMHC and CDI for responding when we had questions, and for Dena Mendelsohn from Consumers Union and Anthony Wright and Beth Capell from Health Access for their review and comments.*

*The authors bear responsibility for any factual errors. Policy recommendations are those of CALPIRG. The views expressed in this report are those of the authors and do not necessarily reflect the views of those who provided review.*



California Public Interest Research Group  
1314 H St. Suite 100  
Sacramento, CA 95814  
916-448-4516  
[www.calpirg.org](http://www.calpirg.org)