

Calif. Regulator Orders Blue Shield of California to Explain Rate Hikes

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A California insurance regulator is asking Blue Shield of California to explain two recent rate hikes that the state's Department of Managed Health Care said have increased rates by an average of 37.5%. The hikes have affected approximately 70,000 policyholders in the state.

The department's Financial Solvency Standards Board said in a recent letter to California Physicians' Service, a Blue Shield subsidiary, that the regulator has serious concerns about an 18.8% increase that went into effect Jan. 1, and a prior rate hike of 15.8% that went into effect Oct. 1. The department was "extremely concerned" about the impact of the two double-digit increases on consumers within two months of each other, given the current economic climate, wrote Dennis Balmer, deputy director of the board.

Lynne Randolph, a department spokeswoman, said the agency was trying to rein in the "wild west" of rate increases for consumers in the individual health coverage market.

"We are seeking this information to ensure that we, as regulators, are able to do our job in the spirit of the new state rate review law and provide as much transparency to consumers as possible," Randolph said in a statement.

Tom Epstein, vice president of public affairs for Blue Shield of California, said the rate increases were the result of the rapidly rising cost of medical care for individual and family plan members, a claim he said was supported by the findings of an independent actuary. Despite these increases, the company lost money on its individual business in 2010, Epstein said.

"We recognize that consumers and regulators are deeply concerned about rising health insurance premiums," he said in a statement, noting the not-for-profit company is taking steps to address rising health care costs. Among the moves the company has taken was to "strongly support" the Obama administration's effort to reform the health care industry through the Patient Protection and Affordable Care Act, he said.

Blue Shield has seven days to formally respond to the Department of Managed Health Care's letter.

The Department of Managed Health Care is the state's top regulator for HMO policies. The California Department of Insurance primarily regulates non-HMO health insurance policies. Blue Shield of California offers both types of plans. Blue Shield of CA Life & Health Ins. and California Physicians' Service, both members of Blue Shield of California Group, each currently have a Best's Financial Strength Rating of A (Excellent).

The department's letter is the latest in a series of regulatory rebukes given to insurance carriers seeking

rate increases in recent months.

Earlier this year, California Insurance Commissioner Dave Jones asked four health insurance carriers to delay any rate increases for two months while the Department of Insurance reviewed their requests.

Last Month, Blue Shield of California Life & Health Insurance, one of those companies, withdrew its request to raise premiums on any members in its individual or family health insurance plans for the rest of this year after Jones pointed out that the total effect of the three rate increases would have raised premiums by as much as 87% for some policies (BestWire, March 17, 2011). Another company Jones asked to hold off on rate increases, PacifiCare of California, agreed to defer its premium increases by 60 days beyond their anticipated effective dates (BestWire, Jan. 31, 2011).

Also in March, Anthem Blue Cross Life and Health Insurance Co. slashed its rate increase from 16.4% to 9.1% and delayed implementing increases to copayments and deductibles by 10 months from the effective date the company had originally requested. That cut was expected to save Anthem Blue Cross individual and family plan health insurance policyholders at least \$40 million (BestWire, March 22, 2011).

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