

Summary of California large group health insurance filings 2021-2024

By [Rebekah D. Bayram](#), [Kevin M. Frodsham](#), [Cameron Gleed](#), and [Daniel Henry](#).

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The large employer group health insurance market lacks a standardized source for nationwide premium development information. California regulations require issuers of these health insurance products to submit rate filings to their regulator(s). This whitepaper summarizes key statistics from the first four years of these filings.

Introduction

California enacted Assembly Bill 731 (AB 731)¹ to regulate large employer group health insurance premiums in California. AB 731 requires large group issuers to submit annual rate filings to the Department of Managed Health Care (DMHC) and the California Department of Insurance (CDI). The first rate filing was for large group plans with effective dates in calendar year 2021. The bill is in line with the DMHC's mission to protect healthcare consumers and ensure a stable healthcare delivery system, and it aims to help the DMHC determine whether a large group rate filing is reasonable.²

The associated filing requires large group issuers to disclose experience period claims, methodologies, factors, and assumptions that were used to set projected premium rates, which DMHC accomplishes annually through a standard rate filing template and supplemental filing documents.

Methodology

Given the non-standardized nature of the supplemental rate filing documents, we limited our analysis to values reported in the standard rate filing template. Issuers are required to submit two filings: one for "Blended or 100% Experience" and one for "100% Community." Given the significant overlap between the two filings, we limited the analysis to the "Blended or 100% Experience" filings, except for issuers that only filed a "100% Community" filing.

The totals across all issuers, as presented below, are aggregated based on total costs and membership by issuer. In other words, issuers with higher costs and membership have a larger impact on the overall values reported below. See Appendix A for a list of all issuers included and the total reported membership for 2022, the most recent experience year.

For each metric, we only included issuers that submitted complete information, meaning no redacted or erroneous data.

California large group rate filing results

2024 premiums by product³

Figures 1 and 2 summarize 2024 premium information for the three product types with the highest enrollment, health maintenance organization (HMO), preferred provider organization (PPO), and high-deductible health plan (HDHP), which collectively account for over 98% of enrollee months. Both figures are weighted by total premiums and membership across all issuers that submitted complete information. Figure 1 shows the most recently filed premium levels before and after the rate change, which may include the impact of benefit changes in addition to cost and utilization changes. Figure 2 shows the 2024 distribution of premiums by product among the components of premium requested in the AB 731 filing. Note that, even with the magnitude of the aggregate 2024 rate increases shown in Figure 1, the after-tax profit margin is projected to be negative for HMO plans overall, although there is material variation across issuers.

Figure 1: Premiums in 2024 rate filing

PRODUCT	% OF TOTAL ENROLLEE MONTHS	PREMIUM PRIOR TO RATE CHANGE	PREMIUM AFTER RATE CHANGE	RATE CHANGE
HMO	80%	\$572.51	\$640.69	11.9%
PPO	15%	\$669.61	\$709.80	6.0%
HDHP	3%	\$505.93	\$569.48	12.6%

Figure 2: 2024 components of premium

PRODUCT	MEDICAL COSTS	ADMINISTRATIVE COSTS	TAXES AND FEES	AFTER-TAX PROFIT/MARGIN	PREMIUM (TOTAL)
HMO	94.3%	4.3%	1.6%	-0.2%	100.00%
PPO	84.4%	8.1%	2.1%	5.3%	100.00%
HDHP	91.2%	5.4%	1.6%	1.9%	100.00%

The data also suggests it is rare for an issuer to offer a new product. Only three issuers newly offered an HMO, one issuer newly offered a PPO, and two issuers newly offered a point-of-service (POS) product over the past four years. The AB 731 filing does not track the introduction of new plans, just new products.

Experience period costs

Figure 3 shows the claims distribution for the 2019-2022 experience periods which correspond to the 2021-2024 filings. The distribution is weighted by total paid claims across all issuers that submitted complete information. The distribution of aggregate paid claims among capitation cost, FFS, and pharmacy has been steady over the four years. The consistency of pharmacy paid claims (net of rebates) at 12% of the total suggests overall drug costs have trended at about the same rate as medical costs, which could be driven by unit cost trends, utilization trends, drug mix, rebates, etc. Reported experience loss ratios have been below 90%, except for the 2024 filing (2022 experience year), which was 93%. This higher loss ratio likely contributed to the high 2024 rate increases in Figure 1.

Note that there is no indicator of whether each plan provides pharmacy coverage or not. Therefore, the distribution below should be interpreted as a distribution across all plans, and not for the average medical plan with pharmacy coverage. In addition, AB 731 reporting does not collect pharmacy rebates or gross pharmacy costs from issuers.

Figure 3: Claims distribution and loss ratios by experience year

Claims Category	2019	2020	2021	2022
Capitation	31%	34%	33%	34%
Medical - Incurred Claims	58%	54%	56%	54%
Pharmacy - Incurred Claims	12%	12%	12%	12%
Total	100%	100%	100%	100%
Loss Ratio	87%	86%	89%	93%

The allowed costs as a percentage of Medicare fee-for-service (FFS) reimbursement across all California issuers are approximately 250% for hospital inpatient, 280% for hospital outpatient, and 130% for professional services, including laboratory and radiology. These percentages remained generally consistent over the four reporting years, with a dip in 2020 (possibly driven by a different mix of services during the COVID-19 pandemic) and increases in 2021 and 2022 for some professional services. Please see Figure 4 for the aggregate allowed costs as a percentage of Medicare by experience year for the 2021-2024 rate filings, weighted by issuers' allowed claims volumes for issuers that submitted complete information.

Figure 4: Allowed costs as a percentage of Medicare by experience year

SERVICE CATEGORY	2019	2020	2021	2022
Hospital Inpatient	251%	224%	254%	254%
Hospital Outpatient (including ER)	291%	278%	282%	284%
Physician/Other Professional Services	116%	114%	133%	140%
Laboratory (other than inpatient)	181%	180%	176%	151%
Radiology (other than inpatient)	177%	164%	214%	224%

Projected allowed costs and trends

Figure 5 shows the reported projected 2024 allowed per member per month (PMPM) by region, weighted by total allowed costs and enrollment across all issuers that submitted complete information. See Appendix B for DMHC's geographic region definitions. All rating areas have at least 14 issuers based on the 2024 rate filing. Rating area A has the most, at 21 issuers. Overall, costs in Northern/Central CA tend to be higher than in Southern CA.

Compared to other service categories, a substantial proportion of the professional service costs are capitated across all regions, with 87% of professional services capitated statewide. Regions B and C, both in Northern/Central CA, have the two highest reported allowed PMPM. Region C also has the lowest percent of professional claims that are capitated and the lowest reported member months.

Figure 5: 2024 projected allowed PMPM by region⁴

SERVICE CATEGORY	Northern/Central CA				Southern CA			STATEWIDE
	A	B	C	D	E	F	G	
Hospital Inpatient	\$150.62	\$147.64	\$136.55	\$138.61	\$110.84	\$116.54	\$111.85	\$132.15
Hospital Outpatient (including ER)	\$122.57	\$129.10	\$134.34	\$119.23	\$90.78	\$94.77	\$94.91	\$110.25
Physician/Other Professional Services	\$19.71	\$14.84	\$75.65	\$30.81	\$19.86	\$26.15	\$29.58	\$23.93
Laboratory (other than inpatient)	\$1.66	\$0.93	\$5.88	\$1.54	\$2.01	\$3.32	\$2.38	\$2.18
Radiology (other than inpatient)	\$1.67	\$1.08	\$4.37	\$1.22	\$1.15	\$1.73	\$1.63	\$1.59
Capitation (professional)	\$176.65	\$181.09	\$105.00	\$153.91	\$134.83	\$156.45	\$150.15	\$162.24
Capitation (institutional)	\$6.11	\$9.51	\$17.65	\$13.76	\$21.95	\$18.28	\$28.69	\$14.76
Capitation (other)	\$4.03	\$25.23	\$9.50	\$3.84	\$11.00	\$7.47	\$9.78	\$9.25
Other	\$14.68	\$15.77	\$12.35	\$16.21	\$8.00	\$7.52	\$9.15	\$11.81
Medical Subtotal	\$497.70	\$525.20	\$501.29	\$479.13	\$400.41	\$432.22	\$438.11	\$468.15
Prescription Drug	\$57.07	\$58.20	\$84.20	\$62.35	\$62.93	\$62.67	\$70.94	\$61.95
Total	\$554.76	\$583.40	\$585.49	\$541.48	\$463.35	\$494.89	\$509.05	\$530.10
Percent of professional claims capitated ⁵	90%	92%	58%	83%	87%	86%	84%	87%
Member months (millions)	29.7	12.9	2.0	5.8	7.6	22.8	13.6	94.4

See Figure 6 for the 2024 statewide trends by service category. Statewide trends are a claims-weighted average across all issuers that submitted complete information.

Price inflation trends are mostly between 2% and 5% across all service categories. Higher pharmacy trend than medical trend (weighted average across all medical trend categories) was reported in every region. Note that this is inconsistent with the reported distribution of claims in the experience, which show comparable pharmacy and medical trends, although this difference could be driven by changes in drug mix, rebates, or other factors. The overall 2024 price inflation trend (medical and pharmacy combined) was 6%.

Use of service trends does not show many clear patterns over time or over service categories. It is not uncommon for an issuer to report negative trends. Overall, the 2024 use of service trend was 3%.

Figure 6: 2024 statewide allowed trends

Service Category	Use of Services	Price Inflation
Hospital Inpatient	1.7%	6.8%
Hospital Outpatient (including ER)	4.0%	6.6%
Physician/Other Professional Services	5.1%	3.3%
Laboratory (other than inpatient)	5.5%	3.3%
Radiology (other than inpatient)	5.0%	3.2%
Capitation (professional)	2.5%	3.6%
Capitation (institutional)	0.3%	5.1%
Capitation (other)	0.5%	4.8%
Other	1.1%	6.0%
Medical Subtotal	2.6%	5.3%
Prescription Drug	2.4%	7.3%
Total	2.6%	5.5%

Conclusion

AB 731 has significantly enhanced transparency and accountability within the California large group health insurance market. The data analysis presented in this paper, covering the first four years of AB 731 filings, provides valuable insights into the California large group health insurance market.

The findings reveal allowed costs as a percentage of Medicare, premium levels across major product types, premium components, and the distribution of claims between claims category and service category. The report also highlights regional variations in allowed costs, showing the variation within the state of California. Finally, the report summarizes 2024 trend levels and rate increases. The information presented in this report will assist issuers as they continue to monitor and improve their large group lines of business.

The values presented in this report are kept at a high level. If more detail is needed for any of the values, contact the authors or your Milliman consultant.

¹ The full text of the bill is available at https://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=201920200AB731.

² See https://esd.dof.ca.gov/Documents/bcp/2021/FY2021_ORG4150_BCP3729.pdf.

³ Product options in the AB 731 large group template are Health Maintenance Organization (HMO), Preferred Provider Organization (PPO), Exclusive Provider Organization (EPO), Point of Service (POS), Fee For Service (FFS), High Deductible Health Plan (HDHP), and Other.

⁴ Northern/Central versus Southern determination was made by the authors and not by the DMHC or another source.

⁵ Calculated from "Capitation (professional)" allowed costs divided by the sum of "Physician/Other Professional Services" and "Capitation (professional)" allowed costs.

Appendix A: Issuers included*

* This table includes all issuers who submitted a filing to CDI or DMHC, including issuers that had incomplete or redacted information.

Carrier	2021	2022	2023	2024	CY 2022 Member Months
Aetna Health of California Inc.	X	X	X	X	1,867,867
Aetna Life Insurance Company	X	X	X	X	3,007,735
Alameda Alliance for Health	X	X	X	X	69,695
Anthem Blue Cross	X	X	X	X	11,049,202
Anthem Blue Cross Life and Health Insurance Company	X	X	X	X	711,467
Blue Shield of California Life & Health Insurance Company	X	X	X	X	6,959
California Physicians' Service	X	X	X	X	4,935,897
Chinese Community Health Plan	X	X	X	X	23,600
Cigna Health & Life Insurance Company	X	X	X		0
Cigna HealthCare of California, Inc.	X	X	X	X	1,289,515
Community Care Health Plan	X	X	X	X	123,072
Contra Costa Health Plan	X	X	X	X	60,014
County of Santa Clara dba Valley Health Plan	X	X	X	X	290,560
Health Net Life Insurance Company	X	X	X		0
Health Net of California, Inc.	X	X	X	X	3,394,099
Kaiser Foundation Health Plan, Inc.	X	X	X	X	64,181,024
Kaiser Permanente Insurance Company	X	X	X	X	59,246
Local Initiative Health Authority for Los Angeles County	X	X	X	X	601,479
MemorialCare Select Health Plan	X	X	X	X	3,106
National Health Insurance Company	X				0
Nippon Life Insurance Company of America	X	X	X	X	173,777
San Francisco Health Authority	X	X	X	X	139,678
San Mateo Health Commission dba Health Plan of San Mateo	X	X	X	X	14,403
Santa Cruz - Monterey - Merced - Managed Medical Care Commission	X	X	X	X	7,478
Scripps Health Plan Services, Inc	X	X	X	X	192,167
Sharp Health Plan	X	X	X	X	689,684
Sutter Health Plus	X	X	X	X	783,053
United Healthcare of California	X	X	X	X	2,207,098
UnitedHealthcare Benefits Plan of California	X	X	X	X	3,051,840
UnitedHealthcare Insurance Company	X	X	X	X	35,134
Ventura County Health Care Plan	X	X	X	X	134,042
Western Health Advantage	X	X	X	X	788,542

Appendix B: Geographic region definition

Large Group Area	ACA Rating Area (for reference)	County Name
Group A Northern/Central CA	2	Marin
		Napa
		Solano
		Sonoma
	4	San Francisco
	5	Contra Costa
	6	Alameda
	7	Santa Clara
8	San Mateo	
Group B Northern/Central CA	1	Alpine
		Amador
		Butte
		Calaveras
		Colusa
		Del Norte
		Glenn
		Humboldt
		Lake
		Lassen
		Mendocino
		Modoc
		Nevada
		Plumas
		Shasta
		Sierra
		Siskiyou
		Sutter
		Tehama
		Trinity
	Tuolumne	
	Yuba	
	3	El Dorado
		Placer
Sacramento		
Yolo		

Group C Northern/Central CA	9	Monterey
		San Benito
		Santa Cruz
	12	San Luis Obispo
		Santa Barbara
		Ventura
Group D Northern/Central CA	10	Mariposa
		Merced
		San Joaquin
		Stanislaus
		Tulare
	11	Fresno
		Kings
		Madera
	14	Kern
Group E Southern CA	13	Imperial
		Inyo
		Mono
	17	Riverside
		San Bernardino
Group F Southern CA	15 and 16	Los Angeles
Group G Southern CA	18	Orange
	19	San Diego

About the Author(s)

Rebekah D. Bayram

San Diego | Tel: 1 858 5875305

Kevin M. Frodsham

Seattle | Tel: 1 206 504 5934

Cameron Gleed

Seattle | Tel: 1 206 5045566

Daniel Henry

San Francisco | Tel: 1 415 394 3743