Rate Increase Justification

Today's Date: 8/4/2026

Issuer: Blue Shield of California

Rate Change Effective Date: 1/1/2027

Market: Individual & Family Plans

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).*

   Blue Shield of California provides healthcare services for over 650,000 Californians enrolled in either our PPO or Trio HMO plans available to purchase through Covered California or directly from Blue Shield. Blue Shield's 2027 premiums will increase on average by 12.5%, ranging from an increase of 6.6% to an increase of 25.3% depending on geography, product type (HMO or PPO) and metal tier (Bronze through Platinum).

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.*

   Determining premiums for 2027 involves understanding 2026 performance (referred to as experience) and projected 2027 expected expenses (referred to as trend). 2026 experience is contributing 4.9% to 2027 premium increases, reflecting that 2026 premiums did not align with the 2026 expenses.

   Overall Financial Experience of Blue Shield's Individual and Family Plan Products:

	2024	2025
Premium Revenue	$6.5 billion	$6.8 billion
Claims Expenses	$6.8 billion	$7.3 billion
Operating Income as Percent of Premium	4.1%	3.3%

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 costs of hospital services, physician services and prescription drug coverage for our individual members continue to rise. Those increases are driven both by higher payment rates to healthcare providers, as well as increased utilization of services.

   The change in medical and pharmacy trends has contributed 8.3% to the total rate 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.*

   The change in benefits has reduced the total rate increase by 0.3%. The applicable benefit changes are driven by changes made to Covered California's standard benefit designs that will be offered in 2027.

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.*

   Administrative costs reflect the costs related to operating a health plan, such as servicing members and providers, improving quality, and providing for broker commissions. Changes in this year's administrative costs, particularly the reduction in exchange fees, are driving a 1.0% reduction to the total rate increase. As a California based, not-for-profit health plan, Blue Shield has an overall target of a 2% margin, and there was minimal change to Blue Shield's underwriting gain assumption.

California Plain-Language Rate Filing Description

Company Name: California Physicians' Service dba Blue Shield of California

SERFF Tracking Number: BCCA-CA27-125122083

1) Justification for any unreasonable rate increases

(Include all information as to why the rate increase is justified. Attach supporting documentation.)

2) Actual Allowed Costs by Aggregate Benefit Category for the most recently completed calendar year in PMPM:

Service Category	Allowed Cost PMPM	Cost as % of Medicare
Hospital Inpatient	$204.22	200.8%
Hospital Outpatient (including ER)	$244.11	292.6%
Physician/Other Professional Services	$195.46	192.5%
Laboratory (other than inpatient)	$12.63	356.1%
Radiology (other than inpatient)	$11.51	172.0%
Capitation (professional)	$32.65	
Capitation (institutional)	$14.14	
Capitation (other)	$32.94	
Other (describe here)	$42.84	234.0%
Medical Services	**$790.50**	
Rx	$190.23	126.8%
Medical Services + Rx	**$980.74**	

3) Projected Annual Medical Services + Rx trend assumptions for all benefits

8.3%

4)Projected Medical Services + Rx Allowed Trend, by Aggregate Benefit Category, Attributable to Use of Services, Price Inflation, Fees and Risk

Service Category	Trend attributable to: Use of Services	Trend attributable to: Price Inflation	Trend attributable to: Fees and Risk	Overall Trend
Hospital Inpatient	-0.1%	4.8%	0.0%	4.6%
Hospital Outpatient (including ER)	2.7%	5.0%	0.0%	7.8%
Physician/Other Professional Services	3.7%	3.7%	0.0%	7.4%
Laboratory (other than inpatient)	3.7%	3.5%	0.0%	7.4%
Radiology (other than inpatient)	3.7%	3.5%	0.0%	7.4%
Capitation (professional)	0.0%	7.3%	0.0%	7.3%
Capitation (institutional)	0.0%	7.3%	0.0%	7.3%
Capitation (other)	0.0%	7.3%	0.0%	7.3%
Other (describe here)	3.7%	3.5%	0.0%	7.4%
Medical Services	**2.0%**	**4.7%**	**0.0%**	**6.8%**
Rx	3.6%	10.3%	0.0%	14.2%
Medical Services + Rx	**2.3%**	**5.8%**	**0.0%**	**8.3%**

5) Other Information

Please provide any needed comments below

California Plain-Language Spreadsheet

Company Name: California Physicians' Service dba Blue Shield of California
SERFF Tracking Number: BCCA-CA27-125122083

	From	To
After Rate Change	01/2027	12/2027
Prior to Rate Change	01/2026	12/2026

						For the expense period on which the rates are based, premium attributed to (in percentage):							
Plan Contract Form Numbers (Product Type)	**Marketing Names (Product Name)**	**Enrollee Months Prior to Rate Change**	**Enrollee Months After Rate Change**	**Premium PMPM Prior to Rate Change**	**Premium PMPM After Rate Change**	**Medical Costs Prior to Rate Change**	**Medical Costs After Rate Change**	***Administrative Costs Prior to Rate Change**	***Administrative Costs After Rate Change**	**Taxes and Fees Prior to Rate Change**	**Taxes and Fees Prior After Rate Change**	**After-tax Profit/Margin Prior to Rate Change**	**After-tax Profit/Margin After Rate Change**
PPO	Platinum 90 PPO	227,407	205,634	$1,447.94	$1,660.65	71.6%	81.4%	9.8%	10.0%	2.9%	1.7%	15.7%	6.9%
PPO	Gold 80 PPO	632,853	538,959	$1,061.85	$1,221.34	80.1%	78.9%	9.8%	10.0%	2.9%	1.7%	7.2%	9.4%
PPO	Silver 70 PPO	2,237,376	1,927,257	$971.29	$1,092.08	87.1%	88.9%	9.8%	10.0%	2.9%	1.7%	0.2%	-0.7%
PPO	Bronze 60 PPO	1,154,645	1,402,709	$799.14	$903.83	78.2%	79.8%	9.7%	10.0%	2.9%	1.7%	9.1%	8.5%
HDHP	Bronze 60 HSA PPO	496,472	450,538	$864.20	$967.43	86.5%	87.0%	9.7%	10.0%	2.9%	1.7%	0.8%	1.3%
PPO	Minimum Coverage PPO	12,426	70,477	$349.14	$441.31	19.7%	100.0%	9.7%	10.0%	2.9%	1.7%	67.7%	-11.7%
PPO	Silver 70 Off Exchange PPO	484,742	441,205	$874.08	$1,005.77	86.3%	84.0%	9.7%	10.0%	2.9%	1.7%	1.0%	4.3%
HDHP	Silver 2600 HSA PPO	101,286	90,602	$895.03	$1,000.38	82.4%	85.6%	9.7%	10.0%	2.9%	1.7%	4.9%	2.6%
PPO	Silver 1750 PPO	615,427	575,914	$836.58	$955.01	83.5%	84.6%	9.8%	10.0%	2.9%	1.7%	3.8%	3.7%
PPO	Bronze 7250 PPO	0	21,143	$0.00	$881.28	N/A	83.3%	N/A	10.0%	N/A	1.7%	N/A	5.0%
HMO	Blue Shield Platinum HMO	106,573	90,662	$809.75	$825.20	63.8%	65.7%	9.7%	10.0%	2.9%	1.7%	23.5%	22.6%
HMO	Blue Shield Gold HMO	264,520	291,179	$736.20	$802.06	89.2%	95.0%	9.7%	10.0%	2.9%	1.7%	-1.8%	-6.7%
HMO	Blue Shield Silver HMO	1,077,984	1,177,106	$773.92	$835.33	89.9%	90.4%	9.7%	10.0%	2.9%	1.7%	-2.5%	-2.1%
HMO	Silver 70 Off Exchange HMO Trio	152,584	174,131	$599.33	$638.61	100.9%	105.8%	9.7%	10.0%	2.9%	1.7%	-13.6%	-17.6%
HMO	Blue Shield Bronze HMO	0	79,843	$0.00	$676.84	N/A	86.7%	N/A	10.0%	N/A	1.7%	N/A	1.6%
HMO	Bronze 7500 Trio HMO	35,454	54,891	$581.52	$621.43	85.1%	88.8%	9.7%	10.0%	2.9%	1.7%	2.2%	-0.5%
Total		**7,599,749**	**7,592,250**	**$893.07**	**$979.05**	**84.3%**	**85.8%**	**9.7%**	**10.0%**	**2.9%**	**1.7%**	**3.0%**	**2.5%**

*Administrative expenses, i.e., non-claims costs other than taxes and regulatory fees, includes the following:

(i) Cost containment and quality improvement expenses - § 158.150 and § 158.151.
(ii) Loss adjustment expenses not classified as a cost containment expense.
(iii) Direct sales salaries, workforce salaries and benefits.
(iv) Agent and brokers fees and commissions.
(v) General and administrative expenses.
(vi) Community benefit expenditures.
(vii) Beginning with the 2022 MLR reporting year, prescription drug rebates and other price concessions that are received and retained by an entity providing pharmacy benefit management services to the issuer and are associated with administering the issuer's prescription drug benefits.

Please provide any needed comments below