



## California Department of Insurance

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### Analysis of 2014 individual market health insurance rates compared to rates in 2013

Average rate increases by age and geographic area

July 28, 2014

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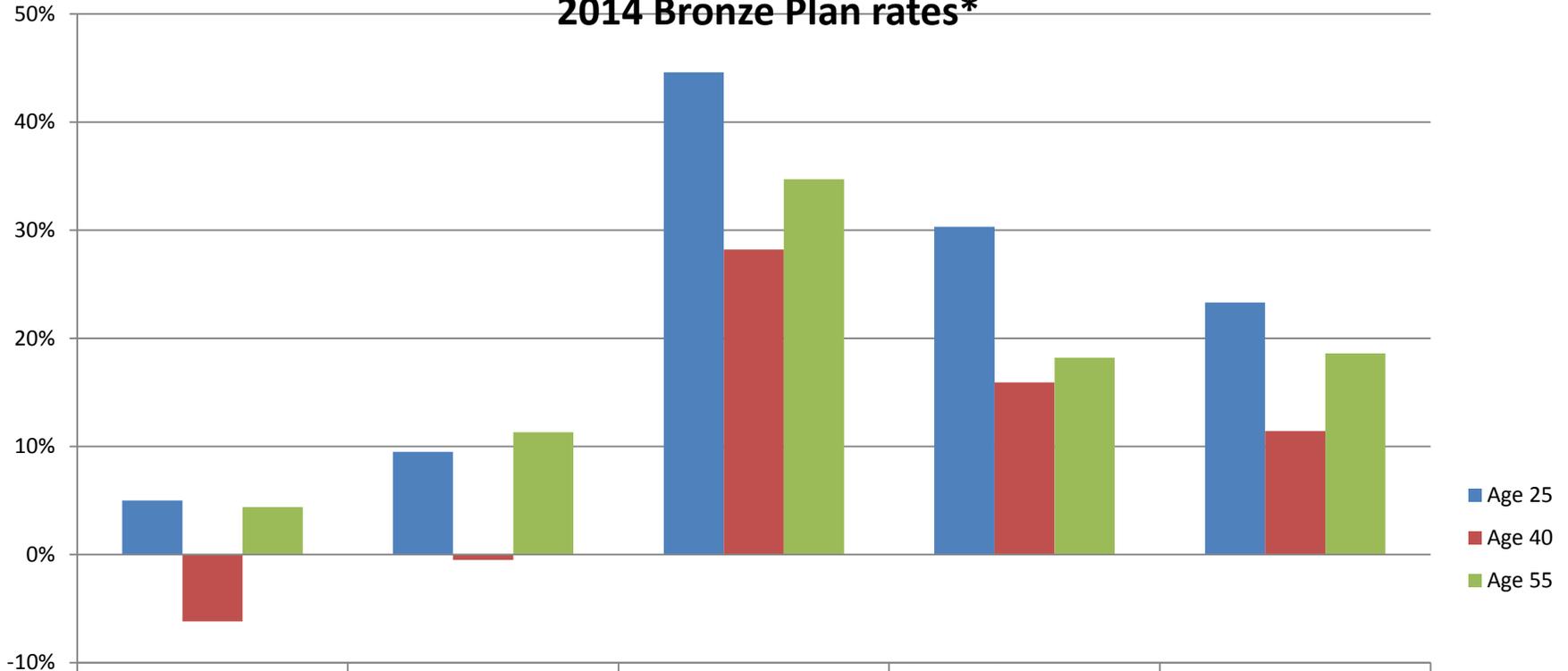
Beginning in the first half of 2013, a lot was written about what health insurance rates would look like in 2014. The Department of Insurance receives calls and letters from health insurance policyholders about health insurance rates and what matters to consumers is how much the price goes up each year and whether they can afford their health insurance for another year. Given that the pronouncements about the 2014 rates being lower than expected did not seem to align with what consumers who were contacting the Department of Insurance were calling to register complaints about, the Department of Insurance (CDI) did an analysis of the 2014 individual market health insurance and health plan rates and how they compared with the 2013 rates in the individual market in California. Although many consumers had experienced double digit rate increases in individual market health insurance products year after year prior to 2014, the rate increases many Californians received in 2014 were higher than in previous years. In fact, with variation for geography and age, the average rate increases for people who had insurance in 2013 who bought 2014 coverage were between 22-88%.

In order to conduct the analysis that compared the 2013 premiums in California's individual health insurance market to the 2014 premiums, CDI's Health Actuarial Office obtained data from the largest health insurers and health plans in California about the price of the health insurance and health plan offerings in the individual market in 2013. Data from Anthem Blue Cross, Kaiser, Blue Shield of California and Health Net was compiled and reviewed. The Department also obtained information about the prices for 2014 in each geographic rating region and for various age bands for these carriers. The methodology used by the Health Actuarial Office to do the analysis of 2014 rates was to compare the health insurance products that had the largest enrollment in 2013 to the products highest enrollment products that were offered for sale for 2014. The data from both 2013 and 2014 was broken down by age and by geographic area of California.

In the fall of 2013, Anthem Blue Cross, Blue Shield of California, Kaiser and Health Net started sending their individual market policyholders cancellation notices for their 2013 health insurance. These policyholders were provided with 2014 health insurance product offerings and the premiums associated with those products. For example, someone living in Los Angeles who had purchased health insurance coverage in 2013 who wanted to purchase 2014 coverage from the same insurer experienced an average increase of 34.9% to 51.9% in January 2014 if they purchased at the "Silver" level, the most commonly enrolled in metal level for 2014. If that Los Angeles resident purchased a "Bronze" plan in 2014, the rate increase was still 15.9% to 30.3% on average.

Unlike many other states, California had implemented a mandate for maternity coverage and for autism coverage prior to the 2014 product offerings and had already prohibited gender rating prior to the 2014 health insurance offerings, so these issues did not impact the 2014 rate changes.

## Average Premium Increases 2013 rates compared to 2014 Bronze Plan rates\*



	Region 3 (Sacramento)	Region 4 (San Francisco)	Region 11 (Fresno)	Region 16 (Los Angeles - South)	Region 19 (San Diego)
Age 25	5.0%	9.5%	44.6%	30.3%	23.3%
Age 40	-6.2%	-0.5%	28.2%	15.9%	11.4%
Age 55	4.4%	11.3%	34.7%	18.2%	18.6%

\* Before federal subsidies

**Assumptions:**

**Carriers:**

**Plans:**

**Weighting:**

**Notes:**

Anthem, Blue Shield, Health Net, and Kaiser

2014 standard silver plan and most subscribed plan in 2013

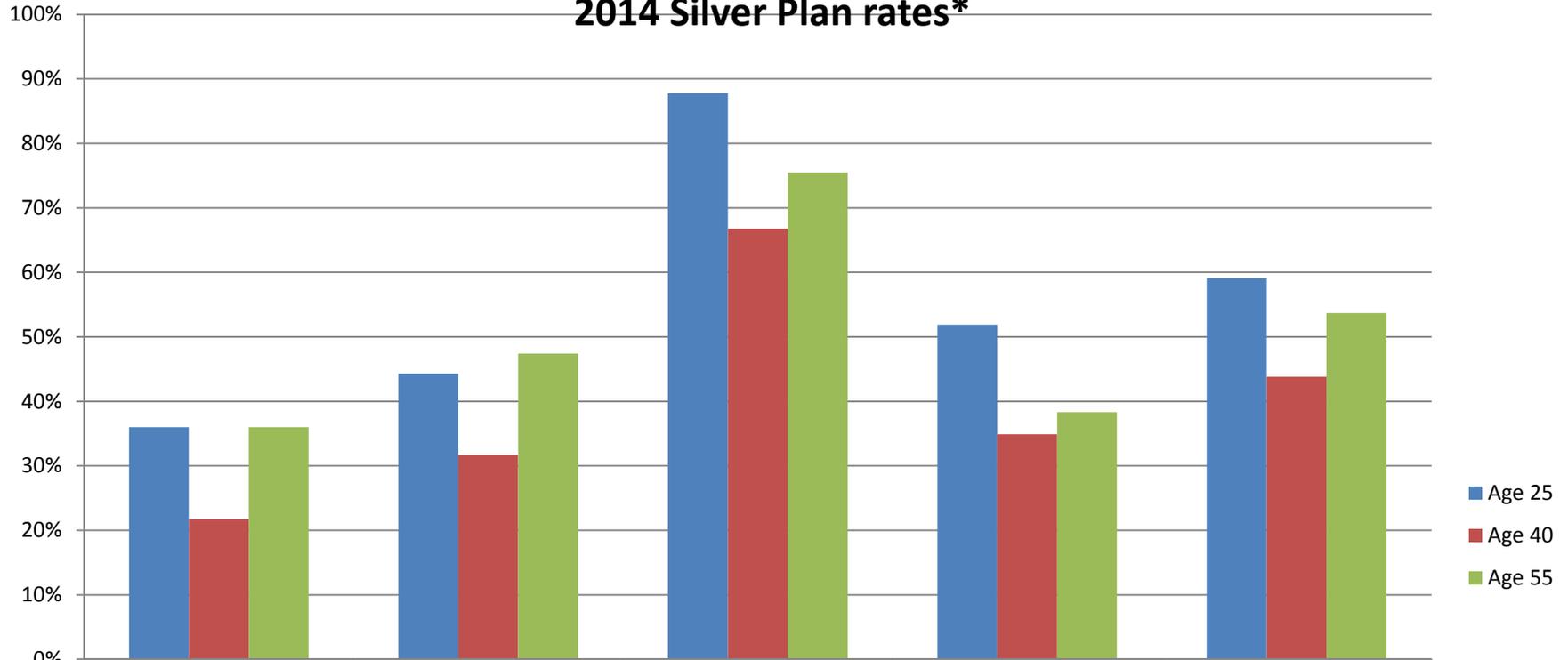
2014 standard bronze plan and most subscribed plan in 2013

2013 most subscribed plan membership allocated by area using

2014 expected area distribution

In the regions where more than one Anthem product is offered, only the product that shows the lowest increase is considered, under the assumption that most Anthem members will choose that product.

## Average Premium Increases 2013 rates compared to 2014 Silver Plan rates\*



	Region 3 (Sacramento)	Region 4 (San Francisco)	Region 11 (Fresno)	Region 16 (Los Angeles - South)	Region 19 (San Diego)
Age 25	36.0%	44.3%	87.8%	51.9%	59.1%
Age 40	21.7%	31.7%	66.8%	34.9%	43.8%
Age 55	36.0%	47.4%	75.5%	38.3%	53.7%

\* Before federal subsidies

**Assumptions:**

**Carriers:**

**Plans:**

**Weighting:**

**Notes:**

Anthem, Blue Shield, Health Net, and Kaiser

2014 standard silver plan and most subscribed plan in 2013

2014 standard bronze plan and most subscribed plan in 2013

2013 most subscribed plan membership allocated by area using

2014 expected area distribution

In the regions where more than one Anthem product is offered, only the product that shows the lowest increase is considered, under the assumption that most Anthem members will choose that product.