

[California Department of Insurance to Implement Outside Actuarial Reviews for All Major Health Insurer Rate Increases](#)

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[California Department of Insurance](#) Commissioner, [Steve Poizner](#), issued a [press release today](#) indicating that the Department has retained an outside actuarial firm to analyze regulatory rate change filings made with the Department by the four major health insurers in the individual market – [Anthem Blue Cross](#), [Aetna](#), [Health Net](#), and [Blue Shield of California](#).

The purpose of the independent actuarial analysis is to ensure that health insurers, in raising their premium rates, comply with state law mandating that 70 cents of every dollar collected in health insurance premiums are to be spent on medical benefits.

In February 2010, after the Department received Anthem Blue Cross' proposed rate change filing indicating that it was seeking to increase individual rates by up to 39%, Commissioner Poizner took the unprecedented step of requesting that an outside actuarial firm analyze the proposed rate increase to ensure that Anthem Blue Cross' actuarial assumptions were justified and that it complied with the 70 cents on the dollar state law mandate.

The Commissioner indicated at that time [in a letter to Anthem's parent, Wellpoint, Inc.](#), that [i]f the independent actuary concludes that Anthem's assumptions are unjustified and that Anthem will pay out less than 70 cents of the premium dollar for benefits, I will take immediate action to stop Anthem from charging the increased rates to California consumers."

On April 28, 2010, [Axene Health Partners, LLC](#) ("Axene"), the actuarial firm retained by the Department to analyze Anthem's rate change filing, issued a [report containing its findings](#). In short, [Axene found that Anthem's actuarial calculations and methodology were flawed](#) which resulted in inflated total lifetime loss ratios. This, in turn, resulted in a finding by the Department that Anthem had attempted to charge consumers 50% more than state law allows. In response to these findings, Anthem withdrew its rate change filing.

The press release issued today by the Department indicates that, in light of Axene's findings with respect to Anthem's rate change filing, the Department will require that, in addition to the actuarial review conducted internally by the Department, the four major health insurers' rate change filings be scrutinized by an outside actuarial firm to ensure accuracy and compliance with state law.

Currently, Axene is reviewing rate change filings made by Aetna and Blue Shield, and will no doubt be reviewing Anthem's anticipated rate change re-filing, as well as any future rate change filings made by Health Net.