



MakeltRightBlueShield.org
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Blue Shield of California's Failure to Comply with California Requirements for Disclosure of Health Plans' Executive Compensation

Regulatory Requirements

Blue Shield is regulated in California by two government agencies: the California Department of Insurance (CDI) and the California Department of Managed Health Care (DMHC). Each regulator has authority under SB 1163 (2010) to review proposed rates for different types of health insurance products and determine whether they are reasonable.

Regulations adopted by the agencies specify what information will be considered in determining the reasonableness of proposed rates. The CDI rules list ten items, including: "The annual compensation of each of the 10 most highly paid officers, executives, and employees of both the insurer submitting the rate filing and the parent corporation/ultimate controlling party of that insurer." The CDI's rules, "1163:2 Unreasonable rate increases, Filing and Notice, Actuarial Certification, Filing Requirements," are here: <http://tinyurl.com/onu7t4s>

The DMHC rules mirror the CDI's, except that they provide that executive compensation information "may" be considered. In either case, however, executive compensation information must be submitted with each rate filing in order for the regulators to carry out their responsibilities. The DMHC's rules, "Revised Guidance Related to Premium Rate Filings," are here: <http://tinyurl.com/nb78yp6>

Blue Shield's Noncompliance

Since the rules were adopted, Blue Shield has made a total of 30 rate filings with the two regulators. In fewer than half of those filings has compensation information been reported. See Appendix 1 for a listing of compensation information included with each filing.

Examples of the compensation information provided are in Appendix 2. Of note, Blue Shield claims that the reported amounts "are the total amounts received by the listed Executive Officers." My understanding from my time at Blue Shield is that the amounts exclude pension contributions and other benefits typically considered (by the IRS and SEC, for example) to be reportable elements of executive compensation. It's also worth noting that Blue Shield withholds the names of the compensation recipients.

Appendix 1

Blue Shield rate filings since adoption of the reporting requirements

Rate effective date	Regulator	Business segment	Compensation information included? *
1/1/16	DMHC	Individual – NGF	No
1/1/16	DMHC	Small Group	No
10/1/15	DMHC	Small Group	No
7/1/15	DMHC	Small Group	No
1/1/15	DMHC	Small Group	No
1/1/15	DMHC	Individual – NGF	No
1/1/15	DMHC	Individual – GF	No
1/1/15	CDI	Individual – GF	Yes—2013 data
10/1/14	CDI	Small Group	Yes—2013 data
10/1/14	DMHC	Small Group	No
7/1/14	DMHC	Small Group	No
4/1/14	DMHC	Small Group	Yes—2012 data
1/1/14	DMHC	Small Group	Yes—2012 data
1/1/14	DMHC	Individual – GF	No
1/1/14	DMHC	Individual – NGF	Yes—2012 data
1/1/14	CDI	Small Group	Yes—2011 data
1/1/14	CDI	Individual – GF	No
7/1/13	CDI	Small Group	Yes—2012 data
4/1/13	CDI	Small Group	Yes—2011 data
3/1/13	CDI	Individual	No
3/1/13	DMHC	Individual	No
1/1/13	DMHC	Small Group	Yes—2011 data
1/1/13	CDI	Small Group	Yes—2011 data
7/1/12	CDI	Small Group	Yes—2010 data
7/1/12	DMHC	Individual	No
7/1/12	DMHC	Small Group	Yes—2010 data
3/1/12	DMHC	Individual	No
3/1/12	CDI	Individual	No
1/1/12	CDI	Small Group	Yes—2010 data
7/1/11	CDI	Small Group	No

* When compensation information has been provided, it has been reported as part of the independent actuarial certification included in each filing. To locate the information, search either the DMHC or CDI website for filings by Blue Shield and then open the independent actuarial certification, which is usually the second-listed “actuarial certification” file. Note that the DMHC uses Blue Shield’s official corporate name, which is California Physicians’ Service. Rate filings submitted to the DMHC are here: <http://wpso.dmhc.ca.gov/ratereview/> CDI rate filings are here: <https://interactive.web.insurance.ca.gov/apex/f?p=102:2:0::NO::>

Appendix 2

Screen Shots of Compensation Information Provided

Blue Shield of California (Parent)

2010 annual compensation of ten most highly paid employees of Blue Shield of California **

<u>Position</u>	<u>Amount</u>
Chief Executive Officer	\$4,601,226
Officer 2	\$1,795,869
Officer 3	\$1,300,923
Officer 4	\$1,247,666
Officer 5	\$ 942,547
Officer 6	\$ 926,762
Officer 7	\$ 902,987
Officer 8	\$ 794,214
Officer 9	\$ 785,554
Officer 10	\$ 749,643

** The amounts above are the total amounts received by the listed Executive Officers and include any amount charged by Blue Shield of California to its subsidiaries such as BSCLHIC.

Excerpted from Blue Shield rate filing with CDI for small group coverage effective 7/1/2012, Independent Actuarial Certification, p. 35.

Blue Shield of California (BSC) - Parent Company

2011 annual compensation of ten most highly paid employees of Blue Shield of California **

<u>Position</u>	<u>Amount</u>
Chief Executive Officer	\$4,562,878
Executive Officer 2	\$1,756,836
Executive Officer 3	\$1,363,660
Executive Officer 4	\$1,270,290
Executive Officer 5	\$ 951,209
Executive Officer 6	\$ 882,607
Executive Officer 7	\$ 858,526
Executive Officer 8	\$ 793,652
Executive Officer 9	\$ 784,170
Executive Officer 10	\$ 783,651

** The amounts above are the total amounts received by the listed Executive Officers and include any amount charged by Blue Shield of California to its subsidiaries such as BSCLHIC.

Excerpted from Blue Shield rate filing with CDI for small group coverage effective 1/1/2013, Independent Actuarial Certification, p. 31.

2012 Annual Compensation of all Blue Shield of California**

Position	Amount
Chief Executive Officer	\$2,121,713
Executive Officer 2	\$1,480,455
Executive Officer 3	\$1,091,249
Executive Officer 4	\$957,454
Executive Officer 5	\$945,000
Executive Officer 6	\$939,653
Executive Officer 7	\$935,753
Executive Officer 8	\$742,221
Executive Officer 9	\$720,120
Executive Officer 10	\$711,450

**The amounts above are the total amounts received by the listed Executive Officers and include any amount charged by Blue Shield of California to its subsidiaries such as Blue Shield of California Life and Health Insurance Company.

Excerpted from Blue Shield rate filing with CDI for small group coverage effective 7/1/2013, Independent Actuarial Certification, p. 18.

Annual (2013) compensation of ten most highly paid employees of Blue Shield of California*

Position	Amount
Chief Executive Officer	\$2,539,000
Executive Officer 2	\$1,549,466
Executive Officer 3	\$1,434,325
Executive Officer 4	\$1,082,000
Executive Officer 5	\$1,073,000
Executive Officer 6	\$796,879
Executive Officer 7	\$795,826
Executive Officer 8	\$788,632
Executive Officer 9	\$757,891
Executive Officer 10	\$718,533

**The amounts above are the total amounts received by the listed Executive Officers and include any amount charged by Blue Shield of California to its subsidiaries such as Blue Shield of California Life and Health Insurance Company.*

Excerpted from Blue Shield rate filing with CDI for individual coverage effective 1/1/2015, Subsequent Submission 09-16-2014.

