

Consumer Disclosure – Individual Market

Blue Cross & Blue Shield of Rhode Island (“BCBSRI”) has submitted its annual rate filing for the individual market (also known as direct pay). This document gives an overview of that filing.

Scope and Range of the Rate Increase:

Carriers file two average rate increase amounts with the Office of the Health Insurance Commissioner (OHIC): the Essential Health Benefit Base Rate Increase and the Weighted Average Rate Increase. These two percentages reflect different calculations.

- Essential Health Benefits Base Rate Increase: After considering all the pricing assumptions except for benefits and cost sharing, the average rate increase for a theoretical plan that provides 100% coverage for all Essential Health Benefits would be 10.4%. Since this EHB increase uses a theoretical plan, it allows for comparisons across health insurance carriers and across years.
- Weighted Average Rate Increase: However, consumer plans have adjustments to reflect the benefits selected, including modifications to prior year benefits and pricing. The average premium increase to consumers, before reflecting changes in age is expected to be 3.8%.

The range of rate increases, before reflecting changes in age, which consumers will experience is: -4.5% to 7.1%.

The actual increase for an individual now enrolled will vary based upon:

- the age of each person enrolled;
- the plan chosen; and
- if the person is eligible for federal subsidies.

This filing impacts about 25,000 individuals now enrolled with BCBSRI. These individuals are enrolled either:

- directly with BCBSRI; or
- through HealthSource RI, Rhode Island’s health insurance marketplace.

The rate increase will take effect January 1, 2016. Rates will stay in effect until December 31, 2016.

Key Drivers for this Filing:

The rate increase for 2016 is due to two main factors:

- the continued rise in the total cost of health care in Rhode Island; and
- the phase-out of the Temporary Reinsurance program under the Patient Protection and Affordable Care Act (“ACA”).

Premium is driven mainly by the cost of health services BCBSRI pays on behalf of our members. This filing reflects a projected medical loss ratio (“MLR”) of 84.3% using the federal formula. The MLR is the percent of each premium dollar that we spend to pay for healthcare services for and activities that improve the quality of care of our members. The federal government requires an MLR of 80% or higher in the individual market.

Medical expenses are driven by:

- how often and how much health care is received (utilization); and
- the price a healthcare provider charges for those services (cost).

For 2016, increases in the cost of medical services, including prescription drugs, continue to drive the increase in overall medical expenses. New drug treatments account for a large part of the increase in medical costs.

While utilization has not risen at the rate we have seen in other years, the projected rise in the price of services results in an increase in rates. Administrative costs factor into this filing as well as premium taxes paid to the state of Rhode Island.

In addition to the medical expense increases described above, the 2016 premium increase is also affected by increased costs due to the ACA, including taxes and fees. A significant increase is due to the phase-out of the federal Reinsurance program. The Reinsurance program is a temporary program started under the ACA. It pays for a certain percentage of claims over a threshold amount. This program is very much reduced in 2016. It will be eliminated at the end of 2016. Also, a fee proposed by the state to fund HealthSource RI, adds a 2.9% increase to the rate.

Changes in Benefits:

At the same time as this filing, BCBSRI submitted plans to the Office of Health Insurance Commissioner for approval. The plan filing makes minor changes to current plans. This includes changes to cost sharing amounts and annual out of pocket maximums consistent with federal regulations. Benefit changes will take effect on January 1, 2016.

BCBSRI will also add five new plans to the direct pay market in 2016. From November 1, 2015 through January 31, 2016 (open enrollment), individuals will have the choice of any plan offered in the direct pay market.

As of January 1, 2016, BCBSRI will no longer offer five plans in the direct pay market. The plans that will no longer be offered are VantageBlue Direct 5800/11600, VantageBlue SelectRI Direct 500/1000, VantageBlue Select RI Direct 3000/6000, VantageBlue SelectRI Direct 5800/11600, and BasicBlue Direct.

Members that are now enrolled in one of these plans will receive notice that their plan will no longer be available after December 31, 2015. Members will have the option to select any other plan offered in the direct pay market. We will help these members select a new plan that meets their needs.