



STATE OF RHODE ISLAND
OFFICE OF THE ATTORNEY GENERAL

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Peter F. Neronha
Attorney General

August 10, 2020

Via Electronic Mail Only

Marie Ganim, Ph.D.
Health Insurance Commissioner
Office of the Health Insurance Commissioner
1511 Pontiac Avenue
Building 69, First Floor
Cranston, Rhode Island 02920
Marie.Ganim@ohic.ri.gov

In re: Neighborhood Health Plan of Rhode Island
Rates Filed for 2021 Individual Market Plans
SERFF ID: NHRI-132426358

Dear Commissioner Ganim:

Pursuant to Rhode Island General Laws §§ 27-19-6(j)(2), 27-20-6(j)(2), and 27-36-1, and consistent with the deadline for public comment set forth in the Office of the Health Insurance Commissioner's ("OHIC") Public Comment Solicitation dated July 21, 2020, the Rhode Island Attorney General submits the following objection to the 5.8% rate increase in the "individual market" sought by Neighborhood Health Plan of Rhode Island ("NHPRI").

Because both issuers in the individual market, NHPRI and Blue Cross Blue Shield of Rhode Island, requested rates below 10%, no public hearing was held. *See R.I. Gen. Laws §§ 27-19-6(f) and 27-20-6(f)*. OHIC held a public comment meeting via Zoom on the rate review process on Thursday, August 6, 2020 at 4:30pm. Representatives from our Office were in attendance.

The Attorney General's objections are based on the attached actuarial report of Oliver Wyman Actuarial Consulting, Inc. ("Oliver Wyman") submitted on behalf of the Office of the Attorney General and the unaffordability of the proposed increase. Our Office asks that you exercise your authority to account for affordability and deny a rate increase.

Preliminary Statement

NHPRI's request for a substantial rate increase comes at a time when more and more Rhode Islanders are without work, at the end of unemployment insurance, facing taxation for failing to carry health insurance and reeling from an unprecedented pandemic and resulting economic consequences. A thorough analysis of NHPRI'S rate increase request by Oliver Wyman, a nationally-recognized firm, demonstrates that request is inflated and unnecessary.¹ Given the Rhode Islanders who will be affected by your decision on behalf of OHIC, the enormous risk these individuals and families face to their well-being and livelihood, and the clear solvency of NHPRI, the Attorney General recommends NHPRI's rate increase be denied.

Unaffordability of a Rate Increase

The Attorney General addresses OHIC in his distinct role in this rate review: to represent, protect and advocate for Rhode Islanders who are and will be consumers of these insurance products. *See R.I. Gen. Laws § 27-36-1*. In addition, as the State's Health Care Advocate, the Attorney General is obligated to carry out the mandate of the Health Care Advocate statute and advocate for quality and affordable health care for the people of this State. *R.I. Gen. Laws § 42-9.1-1*.

At least 27,900 lives will be affected by these final rates, and that number will likely rise for 2021 enrollment, given the increase in uninsured adults as a result of unemployment.² Since March 9, 2020 thru August 2, 2020, the Rhode Island Department of Labor and Training reports a total of 369,883 Covid-related unemployment claims, inclusive of Covid-specific claims and pandemic unemployment assistance claims.³

It is critical that all individuals seeking healthcare in the individual market, whether by choice or by force of circumstance, pay the lowest possible rates to ensure continuity of care for themselves and their families. In addition, those who will need health insurance in the individual market – who simply cannot afford an increase in rates – include people and communities already suffering from profound inequities.

As of July 2020, job loss nationally has been experienced disproportionately by African-Americans at 14.6 %, followed by Latinx at 12.9 %, with 12 % for Asian people and 9.2 % for white people.⁴ These are the people and communities who will be turning to the individual market. Yet even before the Covid-19 pandemic, in Rhode Island the proportion of Blacks and Latinx who report not seeking medical attention is 11.3% and 21%, respectively, according to the Rhode Island Commission for Health Advocacy and Equity – Legislative Report January 2020.⁵ Recognizing

¹ Oliver Wyman Actuarial Report for NHPRI, pp. 5-14.

²Rhode Island is one of the top five States with the highest percentage of individuals losing their employer-sponsored health insurance due to COVID-19, with a 55% increase in uninsured adults.

<https://www.ajmc.com/view/states-facing-covid19-spikes-report-greatest-health-insurance-coverage-losses>, dated July 14, 2020.

³ <https://dlt.ri.gov/coviddata/>.

⁴ See Bureau of Labor Statistics report of July 2020, <https://www.bls.gov/news.release/empsit.nr0.htm>

⁵ <https://health.ri.gov/publications/reports/2020CommissionForHealthAdvocacyAndEquityLegislative.pdf>

the many social determinants of health, this report identifies housing burden and food insecurity (among other measures) concentrated in communities with high Black and Latinx populations.

These stark and disturbing disparities in health care and its determinants have played out with a vengeance during the COVID-19 pandemic. In Rhode Island, 46% of all coronavirus cases are among Latinx, who make up just 16% of the population. Likewise, 12% of all cases are among African-Americans who make up just 6.55% of Rhode Island's population.

In addition, now that Rhode Island has instituted a state-based individual mandate⁶, all Rhode Islanders must have health insurance or pay a tax penalty. The cost of not having health insurance is not only felt when an uninsured person needs care, but when he or she pays her state taxes.

The disparate health impact of decades of policy and practice on Latinx and African American communities in Rhode Island has been clearly documented by the State's own Commission for Health Advocacy and Equity, and any increase in rates will present yet another obstacle to care. Further, because a rate increase in the individual market would fall upon those who have lost employer-provided health insurance, it will have the greatest impact on these same communities that are bearing a particularly heavy cost as a result of the Covid-19 pandemic, compounding these historic and current inequities.

The Attorney General urges you to exercise your regulatory authority and discretion to determine 2021 rates based upon affordability to the people who must pay for those insurance products. OHIC Regulation 230-RICR-20-30-4 (Powers and Duties of OHIC), Section 4.9 (C) delineates the factors to consider in determining affordability of rates, including the ability of lower-income individuals to pay for health insurance. In addition, NHPRI has a responsibility to "provide affordable and accessible health insurance to insureds" and "employ pricing strategies that enhance the affordability of health care coverage." *See R.I. Gen. Laws §§ 27-19.2-3(1) and 27-19.2-10(3)*.

The Actuarial Basis for Denying NHPRI's Request for a 5.8% Increase

There is a strong actuarial basis for denying the increase proposed by NHPRI. After review of NHPRI's filing and the company's responses to questions posed both by OHIC and the Attorney General, Oliver Wyman concluded that it is both reasonable and actuarially appropriate to reduce NHPRI's proposed rate increase by 4.9%, **and this even before affordability is factored in**. This results in a net overall increase of no more than 0.6% as opposed to NHPRI's proposed net overall increase of 5.8%. As explained more fully in our actuarial report, we find that reductions based on trend, risk adjustment number, and Covid-19 projections are necessary and actuarially appropriate, with total premium savings of approximately \$6.7 million if all reductions are adopted by OHIC.

Based on review of NHPRI's filings from last year and this year, our Office has found no evidence that NHPRI will become insolvent or significantly underfunded if its rates are not

⁶ R.I.G.L. 44-30-101(c) (imposing a shared-responsibility payment on all persons who do not show proof of health insurance)

Marie Ganim, Ph.D.
Health Insurance Commissioner
SERFF ID: NHRI-132426358
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approved as requested by our Office. We thus request all actuarially supported data be viewed in the light most favorable to the insured and to the affordability of products.

Conclusion

The Attorney General's actuaries cannot justify an increase of more than 0.6%. Taking into account the unaffordability of even that increase, as you are authorized to do, no increase at all can be justified. In addition to actuarial assumptions and findings, the impact COVID-19 has on the very real people the insurance plans serve must be considered. It is no secret that many Rhode Islanders are struggling financially during this pandemic. The unemployed will find themselves in a precarious situation, having to choose between paying for insurance no longer received through their employer or paying for other necessities such as food or housing and facing a tax penalty.

Even if the OHIC found the actuarial arguments by NHPRI and our Office equally balanced – which the Attorney General maintains they are not - given the historic and current realities facing those who will ultimately bear the consequences of OHIC's decision on the one hand and the undisputed solvency of NHPRI on the other, this is an instance where a tie should go to the runner, the people of Rhode Island.

Keeping the needs and considerations of the affected insured always first and foremost, the Office of the Attorney General asks that you place significant weight on the unaffordability of higher health insurance rates and deny any rate increase in the individual market to NHPRI in the best interest of the public. Thank you for your consideration.

Respectfully Submitted,

PETER F. NERONHA
ATTORNEY GENERAL

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**STATE OF RHODE ISLAND AND
PROVIDENCE PLANTATIONS**

OFFICE OF THE HEALTH INSURANCE COMMISSIONER

*In Re: Neighborhood Health Plan of Rhode Island
Rates Filed for 2021 Individual Market Plans*

SERFF ID: NHRI-132426358

**REPORT OF Beth Fritchman, FSA, MAAA and Ryan Schultz, FSA, MAAA
SUBMITTED ON BEHALF OF THE ATTORNEY GENERAL**

August 10, 2020

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EXHIBITS

AG-1	Reduce Overall Trend
AG-2	Reduce Risk Adjustment Amount
AG-3	Reduce COVID-19 Adjustment
AG-4	All Adjustments – Summary of Changes

I. NATURE AND PURPOSE OF REPORT

The Attorney General is vested with the authority and enforcement of the laws within the State of Rhode Island, including, but not limited to, representing, protecting and advocating on behalf of consumers at public rate hearings. R.I. Gen. Laws §§ 27-36-1, 27-19-6 and 27-20-6. An insurer in the individual market cannot change its rates for its Class DIR products without approval of Rhode Island's Health Insurance Commissioner.

A public hearing must be held for a requested rate increase in the individual market of 10% or higher by an insurer covering 10,000 or more individual lives ("Rate Hearing"). R.I. Gen. Laws §§ 27-19-6(f) and 27-20-6(f).

In the event a Rate Hearing is not triggered, Rhode Island law allows the Attorney General to hire actuaries to review the Rate Filings and conduct discovery. R.I. Gen. Laws §§ 27-19-6(j)(2)-(k), 27-20-6(j)(2)-(k), and 27-36-2(a). Neighborhood Health Plan of Rhode Island ("Neighborhood") filed with the Office of the Health Insurance Commissioner ("OHIC") on June 18, 2020, seeking to change its rates effective on January 1, 2021 for plans to be offered in the individual market (the "Filing").

Neighborhood has submitted one filing with a requested average rate increase of 5.8%. In addition to the weighted average rate change, the rate for a theoretical plan that provides 100% coverage for all Essential Health Benefits (EHB) is also provided in order to easily compare across carriers and years. The weighted average rate change for this theoretical plan is a 1.5% increase. The public hearing requirement for Neighborhood is not triggered this year. The purpose of this Report is to provide the results of our review and analysis of Neighborhood's Filings and to provide alternative recommendations and calculations to Neighborhood's requested rates on behalf of the Attorney General.

II. PERSONAL QUALIFICATIONS

Beth Fritchen, FSA, MAAA, is a Partner with Oliver Wyman Actuarial Consulting, Inc., and serves as Managing Actuary. Beth has over 30 years of experience in the health insurance market which includes pricing of products for the individual, small group and large group markets, as well as the pricing of drug, vision, dental and specialty HMO products. Beth has extensive experience reviewing rate filings and testifying before various legislative venues on behalf of several states.

Ryan Schultz, FSA, MAAA, is a Principal with Oliver Wyman Actuarial Consulting, Inc. Ryan has over 17 years of experience in the health insurance market which includes pricing of products for the individual and small group markets. Ryan also has extensive experience reviewing rate filings for various states.

III. BACKGROUND

In March 2010, the 111th Congress passed health reform legislation, the Patient Protection and Affordable Care Act (“ACA”; P.L. 111-148), as amended by the Health Care and Education Reconciliation Act of 2010 (HCERA; P.L. 111- 152) and other laws. The ACA expanded federal private health insurance market requirements and required the creation of health insurance exchanges effective January 1, 2014 to provide individuals with access to insurance. Neighborhood is required to comply with all of the ACA requirements for plans that are sold both through the Exchange (HealthSource Rhode Island – or “HSRI”) and outside the Exchange. Neighborhood’s product offerings must comply with the ACA’s rules and premium rates which must be the same for both Exchange and non-Exchange products. The ACA’s restrictions on rating do not allow rates to vary by gender or by health status and substantially limit variation by age and family status. As required by OHIC, the current Filing relies on experience from 2019, the most recently completed calendar year.

Per Neighborhood's Filing, the average proposed rate change across the company’s individual market product is 5.8%.

IV. MATERIALS REVIEWED

In performing our analysis and preparing our Report, we reviewed the Filing, as well as the materials submitted by Neighborhood in response to data requests submitted by the Attorney General and OHIC. Additionally, a phone call was held with Neighborhood on August 3, 2020 and we reviewed publicly available information relevant to this Filing. Revisions and supplementation to this Report may occur as further information becomes available, is otherwise discovered or developed, or as any additional matters or issues may be raised in connection with the Filing.

V. **FINDINGS**

A. **There are assumptions in Neighborhood's Filings that, if adjusted to our recommendations, could reduce rates by 4.9%.**

The Neighborhood Filings contain assumptions in calculating its requested rates that could be reasonably adjusted to reflect less conservative assumptions. These assumption changes could reduce rates by 4.9%. The assumptions that could result in lower rates are: changes in the overall trend rate, projected risk adjustment result, and projected impact of COVID-19. Each of these assumptions are discussed in turn below.

We have prepared a number of exhibits for this Report that analyze the impact on Neighborhood's requested rates of changes, including Exhibits AG-1 through 4. For each of the exhibits, we have relied upon the data, formats and formulas that Neighborhood either used in its Filing or included in its responses to data requests. For ease of reference, in each of these Exhibits, we have highlighted certain items that we have changed. Exhibits 1 through 3 focus on each of the issues in isolation, while Exhibit AG-4 includes the impact of all issues raised herein combined.

We have measured the value of each of the recommended changes by valuing the impact on the "EHB Rate" which is identified in Line 95 of the Part II Rate Development tab of the Filing template. For each age and each plan option offered in 2021, Neighborhood's corresponding premium rate will be a multiple of the approved EHB Rate. Therefore, any percentage change in the EHB Rate will be reflected as an identical percentage change in the rate Neighborhood will be permitted to charge a member. For example, a 1% reduction in the EHB Rate will reduce each and every member's premium in 2021 by 1% from Neighborhood's proposed rates.

1) Trend.

We have reviewed the information provided by Neighborhood related to its medical and prescription drug trend assumptions. Page 3 of the Actuarial Memorandum states that anticipated changes in Neighborhood's provider contracts and a review of recent experience was used as the basis for the projected trends and that data was then blended with Milliman HCGs to arrive at the decided trends. The resulting overall annual trend assumption being utilized is 8.6%.

When additional quantitative support was requested for the chosen trend assumptions, none was provided. [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] We are therefore reluctant to rely on the chosen trends as a basis for prediction.

To assess the reasonability of Neighborhood's trend estimate, we developed independent estimates of the company's recent normalized allowed trend rates using the [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] There are reasons this result should not be relied upon entirely for trend-setting purposes, including that the membership base is growing over the time period shown which can drive greater year-to-year volatility than might be expected for a more stable book of business and the PLRS factor which is being used is based on a methodology that has been changing slightly each year. [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

An additional approach which was utilized to assess the reasonability of Neighborhood's overall annual trend assumption was to compare it to recent industry results. Oliver Wyman develops a semi-annual Carrier Trend Survey which reports the pricing trends utilized by numerous carriers within the industry. Based on the most recent survey, Individual Medical HMO trend rates range from 4.3% at the 25th percentile to 8.5% at the 75th percentile with the median at 7.1%. Prescription drug trend rates range from 7.2% at the 25th percentile to 10.4% at the 75th percentile with the median at 9.2%. Blending these results based on Neighborhood's projected mix of claims by service category produces overall trend rates equal to 4.9% at the 25th percentile, 7.6% at the median, and 8.9% at the 75th percentile.

Ultimately, the above information suggests that Neighborhood's proposed overall trend rate of 8.6% may be conservative. [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

2) Risk Transfer Amount.

The final 2019 commercial risk transfer report was released by the Centers for Medicare & Medicaid Services (CMS) on July 17, 2020. At this time, Neighborhood has not refiled with considerations around the above-captioned report. Neighborhood developed its projected risk adjustment transfer amount based on the 2019 interim risk adjustment report, calculating an anticipated payment of \$16.74 PMPM on a paid basis (\$20.93 PMPM on an allowed basis). [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]
[REDACTED]

Exhibit AG-2 provides the impact of changing the current risk adjustment payments to reflect the updated risk adjustment transfer amount discussed above. [REDACTED]
[REDACTED]
[REDACTED]

3) COVID-19 Adjustment.

[REDACTED]
[REDACTED]
[REDACTED] was developed based on the individual anticipated cost impact of each of the following five items: (1) increased utilization and pent-up demand from services which were deferred in 2020, (2) the economic impact on the individual market due to job loss, (3) increased population health morbidity due to foregone care, (4) direct costs associated with treating members diagnosed with COVID-19, and (5) the cost impact of increased telehealth services that are duplicative with in-person visits. During the course of our review, additional support for the [REDACTED] was requested and a phone call was held on August 3, 2020 to discuss Neighborhood's support for each of the individual components making up the [REDACTED] further.

Based on the information provided, we do not believe that Neighborhood has supported the specific adjustment it is applying to reflect the cost impact of [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

[REDACTED] Due to the lack of support provided and the real potential that these specific items could actually have no impact on claim costs in 2021, we would suggest removing them from the development of the COVID-19 adjustment.

Exhibit AG-3 provides the impact of changing the current COVID-19 adjustment to reflect the assumption that the two items noted above will have no impact on claim costs in 2021. This change reduces the EHB rate from \$376.35 PMPM to \$370.69 PMPM, or by 1.5%.

VI. CONCLUSION

In total, the adjustments to the rates that are recommended as shown in Exhibit AG-4 reduce Neighborhood's EHB rate from \$376.35 PMPM to \$358.05 PMPM, or by 4.9%. The Attorney General's recommended rates result in a weighted average change of 0.6% compared on an apples-to-apples basis to Neighborhood's requested increase of 5.8%. The total proposed premium savings in relation to the recommended rate adjustments is \$6,667,188.

August 10, 2020

(Date)

Oliver Wyman Actuarial Consulting, Inc.

By:



Beth Fritchen, FSA, MAAA



Ryan Schultz, FSA, MAAA

VII. EXHIBITS

Exhibit AG 1 - Reduce Overall Trend
Rate Development



Exhibit AG 2 - Reduce Risk Adjustment Amount
Rate Development



**Exhibit AG 3 - Reduce COVID-19 Adjustment
Rate Development**

Unified Rate Review v5.0

Company Legal Name	Neighborhood Health Plan of Rhode Island	State	RI
HIOS Issuer ID	77514	Market	Individual
Effective Date of Rate Change(s)	1/1/2021		

Market Level Calculations (Same for all Plans)

Section I: Experience Period Data

Experience Period:	1/1/2019	to	12/31/2019	
		Total		PMPM
Allowed Claims		\$101,700,922.20		\$333.85
Reinsurance		\$0.00		\$0.00
Incurred Claims in Experience Period		\$80,477,637.98		\$264.18
Risk Adjustment		-\$5,732,947.64		-\$18.82
Experience Period Premium		\$122,646,131.00		\$402.61
Experience Period Member Months		304,628		

Section II: Projections

Benefit Category	Experience Period Index		Year 1 Trend		Year 2 Trend		Trended EHB Allowed Claims PMPM
	Rate PMPM	Cost	Utilization	Cost	Utilization		
Inpatient Hospital	\$52.85	1.040	1.010	1.040	1.010	1.010	\$58.31
Outpatient Hospital	\$101.98	1.050	1.020	1.050	1.020	1.020	\$116.98
Professional	\$98.99	1.070	1.030	1.070	1.030	1.030	\$120.24
Other Medical	\$5.49	1.050	1.015	1.050	1.015	1.015	\$6.24
Capitation	\$0.00	1.000	1.000	1.000	1.000	1.000	\$0.00
Prescription Drug	\$28.32	1.100	1.010	1.100	1.010	1.010	\$91.73
Total	\$333.63						\$393.49

Morbidity Adjustment

Manual EHB Allowed Claims PMPM	\$0.00
Applied Credibility %	100.00%

Projected Index Rate for	1/1/2021	Projected Period Totals	
Reinsurance		\$387.21	\$129,726,191.88
Risk Adjustment Payment/Charge		\$28.54	\$9,561,699.12
Risk Adjustment Payment/Charge		-\$20.85	-\$6,985,333.80
Exchange User Fees		4.56%	\$6,075,054.58
Initial Quarter Market Adjusted Index Rate		\$397.65	\$133,224,881.14
Projected Member Months		335,028	

Section III: Calculation of EHB Rate for 21 Year Old, 0% Cost Sharing, Silver Utilization Level

Section III A: Market Adjusted Index Rate Silver Utilization Level

(1)	Experience Period Paid to Allowed Ratio	0.79
(2)	Paid to Allowed Ratio in Projection Period	0.80
(3)	Projected AV Metal Value	0.73
(4)	Adjustment to Silver Level utilization	1.30
(5)	Initial Quarter Market Adjusted Index Rate Silver Utilization Level	\$517.72

Section III B: Retention Charge

		PMPM	% Charge
(6)	Administrative Expense Load	\$68.04	10.8%
(7)	ACA Fees and Taxes	\$0.46	0.1%
(8)	Broker Commission	\$0.00	0.0%
(9)	Premium Tax	\$12.57	2.0%
(10)	Other Retention Charge	\$0.00	0.0%
(11)	Contribution to Reserve	\$30.57	4.9%
(12)	Investment Income Credit	-\$1.07	-0.2%
(13)	Total Retention Charge	\$110.57	17.6%
(14)	1/1/2021 or 1Q 2021 EHB Revenue Requirement for 0% cost sharing, silver utilization level (70%)	\$628.29	

Section III C: Average Rate Change

(15)	Age Ca libration to 21 year old	0.59	
(16)	1/1/2021 EHB Rate for 21 year old, 0% cost sharing, silver utilization level (70%)	\$370.69	Original Premium \$376.35
(17)	1/1/2020 Approved EHB Rate for 21 year old, 0% cost sharing, silver utilization level (70%)	\$370.72	Percent Change -1.50%

Exhibit AG 4 - All Adjustments - Summary of Changes
Rate Development

Unified Rate Review v5.0

Company Legal Name	Neighborhood Health Plan of Rhode Island	State	RI
HIOS Issuer ID	77514	Market	Individual
Effective Date of Rate Change(s)	1/1/2021		

Market Level Calculations (Same for all Plans)

Section I: Experience Period Data

Experience Period:	1/1/2019	to	12/31/2019	
		Total		PMPM
Allowed Claims		\$101,700,922.20		\$333.85
Reinsurance		\$0.00		\$0.00
Incurred Claims in Experience Period		\$80,477,637.98		\$254.18
Risk Adjustment		-\$5,732,947.64		-\$18.82
Experience Period Premium		\$122,646,131.00		\$402.61
Experience Period Member Months		304,628		

Section II: Projections

Benefit Category	Experience Period Index Rate PMPM	Year 1 Trend			Year 2 Trend		Trended EHB Allowed Claims PMPM
		Cost	Utilization	Cost	Utilization		
Inpatient Hospital	\$52.85	1.076	1.000	1.076	1.000		\$61.19
Outpatient Hospital	\$101.98	1.076	1.000	1.076	1.000		\$118.07
Professional	\$98.99	1.076	1.000	1.076	1.000		\$114.61
Other Medical	\$5.49	1.076	1.000	1.076	1.000		\$6.36
Capitation	\$0.00	1.000	1.000	1.000	1.000		\$0.00
Prescription Drug	\$74.32	1.076	1.000	1.076	1.000		\$86.05
Total	\$333.63						\$386.27
Morbidity Adjustment						1.000	
Demographic Shift						0.992	
Plan Design Changes						0.989	
Other						1.003	
Adjusted Trended EHB Allowed Claims PMPM for		1/1/2021				\$380.10	
Manual EHB Allowed Claims PMPM						50.00	
Applied Credibility %						100.00%	
Projected Index Rate for		1/1/2021				\$380.10	
Reinsurance						\$127,344,142.80	
Risk Adjustment Payment/Charge						\$9,561,699.12	
Exchange User Fees						-\$5,028,770.28	
Initial Quarter Market Adjusted Index Rate						\$5,867,761.27	
						\$384.08	
Projected Member Months						335,028	
							\$128,678,975.23

Section III: Calculation of EHB Rate for 21 Year Old, 0% Cost Sharing, Silver Utilization Level

Section III A: Market Adjusted Index Rate Silver Utilization Level

(1)	Experience Period Paid to Allowed Ratio	0.79
(2)	Paid to Allowed Ratio in Projection Period	0.80
(3)	Projected AV Metal Value	0.73
(4)	Adjustment to Silver Level of Utilization	1.30
(5)	Initial Quarter Market Adjusted Index Rate Silver Utilization Level	\$500.08

Section III B: Retention Charge

		PMPM	% Charge
(6)	Administrative Expense Load	\$65.72	10.8%
(7)	ACA Fees and Taxes	\$0.45	0.1%
(8)	Broker Commission	\$0.00	0.0%
(9)	Premium Tax	\$12.14	2.0%
(10)	Other Retention Charge	\$0.00	0.0%
(11)	Contribution to Reserve	\$29.53	4.9%
(12)	Investment Income Credit	-\$1.04	-0.2%
(13)	Total Retention Charge	\$106.80	17.6%
(14)	1/1/2021 or 1Q 2021 EHB Revenue Requirement for 0% cost sharing, silver utilization level (70%)	\$606.88	

Section III C: Average Rate Change

(15)	Age Calibration to 21 year old	0.59	
(16)	1/1/2021 EHB Rate for 21 year old, 0% cost sharing, silver utilization level (70%)	\$358.05	Original Premium \$376.35
(17)	1/1/2020 Approved EHB Rate for 21 year old, 0% cost sharing, silver utilization level (70%)	\$370.72	Percent Change -4.9%



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OFFICE OF THE ATTORNEY GENERAL

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Peter F. Neronha
Attorney General

August 10, 2020

Via Electronic Mail Only

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**In re: Blue Cross Blue Shield of Rhode Island
Rates Filed for 2021 Individual Market Plans
SERFF ID: BCBS-132404728 (July 28, 2020 refile)**

Dear Commissioner Ganim:

Pursuant to Rhode Island General Laws §§ 27-19-6(j)(2), 27-20-6(j)(2), and 27-36-1, and consistent with the deadline for public comment set forth in the Office of the Health Insurance Commissioner's ("OHIC") Public Comment Solicitation dated July 21, 2020, the Rhode Island Attorney General submits the following objection to the 5.7% rate increase in the "individual market" sought by Blue Cross Blue Shield of Rhode Island ("BCBSRI").

Because both issuers in the individual market, BCBSRI and Neighborhood Health Plan of Rhode Island, requested rates below 10%, no public hearing was held. *See R.I. Gen. Laws §§ 27-19-6(f) and 27-20-6(f)*. OHIC held a public comment meeting via Zoom on the rate review process on Thursday, August 6, 2020 at 4:30pm. Representatives from our Office were in attendance.

The Attorney General's objections are based on the attached actuarial report of Oliver Wyman Actuarial Consulting, Inc. ("Oliver Wyman") submitted on behalf of the Office of the Attorney General and the unaffordability of the proposed increase. Our Office asks that you exercise your authority to account for affordability and deny a rate increase.

Preliminary Statement

BCBSRI's request for a substantial rate increase comes at a time when more and more Rhode Islanders are without work, at the end of unemployment insurance, facing taxation for failing to carry health insurance and reeling from an unprecedented pandemic and the resulting economic consequences. These are the Rhode Islanders who must turn to the individual market for health insurance, where this rate increase is sought. Yet BCBSRI's request comes at a time when it has financial reserves three times the mandatory minimum to avoid regulatory action, and over one and a half times what the Blue Cross Association requires.¹ Over the last eight (8) of ten (10) years, BCBSRI has requested increases above what OHIC has found necessary and appropriate for consumers. A thorough analysis of BCBSRI'S current rate increase request by Oliver Wyman, a nationally-recognized firm, demonstrates that this request is inflated and unnecessary as well.² Given the historic health disparities and obstacles to healthcare of many Rhode Islanders who will be effected by your decision, the enormous economic and health risks *all* individuals and families currently face who must turn to the individual market, and the clear solvency of BCBSRI, the Attorney General recommends BCBSRI's rate increase be denied and no increase imposed.

Unaffordability of a Rate Increase

The Attorney General addresses OHIC in his distinct role in this rate review: to represent, protect and advocate for Rhode Islanders who are and will be consumers of these insurance products. *See R.I. Gen. Laws § 27-36-1*. In addition, as the State's Health Care Advocate, the Attorney General is obligated to carry out the mandate of the Health Care Advocate statute and advocate for quality and affordable health care for the people of this State. *R.I. Gen. Laws § 42-9.1-1*.

At least 17,300 lives will be affected by these final rates, and that number will likely rise for 2021 enrollment, given the increase in uninsured adults as a result of unemployment.³ Since March 9, 2020 thru August 2, 2020, Rhode Island Department of Labor and Training reports a total of 369,883 Covid-related unemployment claims, inclusive of Covid-specific claims and pandemic unemployment assistance claims.⁴

It is critical that all individuals seeking healthcare in the individual market, whether by choice or by force of circumstance, pay the lowest possible rates to ensure continuity of care for themselves and their families. In addition, those who will need health insurance in the individual

¹ Oliver Wyman Actuarial Report for BCBSRI, p. 6-7.

² *Id.* at pp.5-13.

³Rhode Island is one of the top five States with the highest percentage of individuals losing their employer-sponsored health insurance due to COVID-19, with a 55% increase in uninsured adults <https://www.ajmc.com/view/states-facing-covid19-spikes-report-greatest-health-insurance-coverage-losses>, dated July 14, 2020.

⁴ <https://dlt.ri.gov/coviddata/>.

market – who simply cannot afford an increase in rates – include people and communities already suffering from profound inequities.

As of July 2020, job loss nationally has been experienced disproportionately by African-Americans at 14.6 %, followed by Latinx at 12.9 %, with 12 % for Asian people and 9.2 % for white people.⁵ These are the people and communities who will be turning to the individual market. Yet even before the Covid-19 pandemic, in Rhode Island the proportion of Blacks and Latinx who report not seeking medical attention is 11.3% and 21%, respectively, according to the Rhode Island Commission for Health Advocacy and Equity – Legislative Report January 2020.⁶ Recognizing the many social determinants of health, this report identifies housing burden and food insecurity (among other measures) concentrated in communities with high Black and Latinx populations.

These stark and disturbing disparities in health care and its determinants have played out with a vengeance during the COVID-19 pandemic. In Rhode Island, 46% of all coronavirus cases are among Latinx, who make up just 16% of the population. Likewise, 12% of all cases are among African-Americans who make up just 6.55% of Rhode Island's population.

In addition, now that Rhode Island has instituted a state-based individual mandate⁷, all Rhode Islanders must have health insurance or pay a tax penalty. The cost of not having health insurance is not only felt when an uninsured person needs care, but when he or she pays her state taxes.

The disparate health impact of decades of policy and practice on Latinx and African American communities in Rhode Island has been clearly documented by the State's own Commission for Health Advocacy and Equity, and any increase in rates will present yet another obstacle to care. Further, because a rate increase in the individual market would fall upon those who have lost employer-provided health insurance, it will have the greatest impact on these same communities that are bearing a particularly heavy cost as a result of the Covid-19 pandemic, compounding these historic and current inequities.

The Attorney General urges you to exercise your regulatory authority and discretion to determine 2021 rates based upon affordability to the people who must pay for those insurance products. OHIC Regulation 230-RICR-20-30-4 (Powers and Duties of OHIC), Section 4.9 (C) delineates the factors to consider in determining affordability of rates, including the ability of lower-income individuals to pay for health insurance. In addition, BCBSRI has a responsibility to "provide affordable and accessible health insurance to insureds" and "employ pricing strategies that enhance the affordability of health care coverage." *See R.I. Gen. Laws §§ 27-19.2-3(1) and 27-19.2-10(3).*

⁵ See Bureau of Labor Statistics report of July 2020, <https://www.bls.gov/news.release/empsit.nr0.htm>

⁶ <https://health.ri.gov/publications/reports/2020CommissionForHealthAdvocacyAndEquityLegislative.pdf>

⁷ R.I.G.L. 44-30-101(c) (imposing a shared-responsibility payment on all persons who do not show proof of health insurance)

The Actuarial Basis for Denying BCBSRI's Request for a 5.7% Increase

There is a strong actuarial basis for denying the increase proposed by BCBSRI. After review of BCBSRI's filings and the company's responses to questions posed both by OHIC and the Attorney General, Oliver Wyman concluded that it is both reasonable and actuarially appropriate to reduce BCBSRI's proposed rate increase by 4.2%. This results in a net overall increase of no more than 1.2% as opposed to BCBSRI's proposed net overall increase of 5.7%, **and this even before affordability is factored in**. As explained more fully in our actuarial report, we find that reductions based on inpatient trends, reserves, and certain drug costs are necessary and actuarially appropriate, with total premium savings of approximately \$5 million if all reductions are adopted by OHIC.

BCBSRI has sought increases for eight (8) out of the past ten (10) years. BCBSRI's requested increases have ranged at its lowest of 2.4% in 2011 to a high of 18.1% in 2013.⁸ Our Office has consistently provided alternative rate calculation reductions which always result in less of a rate increase (or even resulting in a decrease) than what BCBSRI proposes. Based on our Office's historical experience of reviewing BCBSRI's rate filings and based on the current information contained in BCBSRI's rate filing for 2021 rate, our Office has found no evidence that BCBSRI will become insolvent or significantly underfunded if its rates are not approved as requested by our Office. We thus request all actuarially supported data be viewed in the light most favorable to the insured and to the affordability of products.

Conclusion

The Attorney General's actuaries cannot justify an increase of more than 1.2%. Taking into account the unaffordability of even that increase, as you are authorized to do, no increase at all can be justified. In addition to actuarial assumptions and findings, the impact COVID-19 has on the very real people the insurance plans serve must be considered. It is no secret that many Rhode Islanders are struggling financially during this pandemic. The unemployed will find themselves in a precarious situation, having to choose between paying for insurance no longer received through their employer or paying for other necessities such as food or housing and facing a tax penalty.

Even if the OHIC found the actuarial arguments by BCBSRI and our Office equally balanced – which the Attorney General maintains they are not - given the historic and current realities facing those who will ultimately bear the consequences of OHIC's decision on the one hand and the undisputed solvency of BCBSRI on the other, this is an instance where a tie should go to the runner, the people of Rhode Island.

Keeping the needs and considerations of the affected insured always first and foremost, the Office of the Attorney General asks that you place significant weight on the unaffordability of

⁸Due to the implementation of the 1332 waiver reinsurance program, BCBSRI requested a decrease of 0.1% in 2019 for 2020 rates.

Marie Ganim, Ph.D.
Health Insurance Commissioner
SERFF ID: BCBS-132404728 (July 28, 2020 refile)
August 10, 2020

higher health insurance rates and deny any rate increase in the individual market to BCBSRI in the best interest of the public. Thank you for your consideration.

Respectfully Submitted,

PETER F. NERONHA
ATTORNEY GENERAL

By:
/s/Miriam Weizenbaum
Miriam Weizenbaum, #5182
Assistant Attorney General
Chief, Civil Division
401-274-4400, Ext. 2303
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cc: Emily Maranjian, Esq. (OHIC)
Kristen McLean, Deputy General Counsel (BCBSRI)

**STATE OF RHODE ISLAND AND
PROVIDENCE PLANTATIONS**

OFFICE OF THE HEALTH INSURANCE COMMISSIONER

*In Re: Blue Cross Blue Shield of Rhode Island
Rates Filed for 2021 Individual Market Plans*

SERFF ID: BCBS-132404728

**REPORT OF Beth Fritchen, FSA, MAAA and Gabe Rivera, FSA, MAAA
SUBMITTED ON BEHALF OF THE ATTORNEY GENERAL**

August 10, 2020

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EXHIBITS

AG-1	Reduce Utilization Trends
AG-2	Reduce Contribution to Reserves
AG-3	Reduce [REDACTED] Projections
AG-4	All Adjustments – Summary of Changes

I. NATURE AND PURPOSE OF REPORT

The Attorney General is vested with the authority and enforcement of the laws within the State of Rhode Island, including, but not limited to, representing, protecting and advocating on behalf of consumers at public rate hearings. R.I. Gen. Laws §§ 27-36-1, 27-19-6 and 27-20-6. An insurer in the individual market cannot change its rates for its Class DIR products without approval of Rhode Island's Health Insurance Commissioner.

A public hearing must be held for a requested rate increase in the individual market of 10% or higher by an insurer covering 10,000 or more individual lives ("Rate Hearing"). R.I. Gen. Laws §§ 27-19-6(f) and 27-20-6(f).

In the event a Rate Hearing is not triggered, Rhode Island law allows the Attorney General to hire actuaries to review the Rate Filings and conduct discovery. R.I. Gen. Laws §§ 27-19-6(j)(2)-(k), 27-20-6(j)(2)-(k), and 27-36-2(a). Blue Cross Blue Shield of Rhode Island ("Blue Cross") filed with the Office of the Health Insurance Commissioner ("OHIC") on June 18, 2020 and then refiled on July 28, 2020 seeking to change its rates effective on January 1, 2021 for plans to be offered in the individual market (the "Filing").

Blue Cross has submitted one filing with a requested average rate increase of 5.7%. In addition to the weighted average rate change, the rate for a theoretical plan that provides 100% coverage for all Essential Health Benefits (EHB) is also provided in order to easily compare across carriers and years. The weighted average rate change for this theoretical plan is a 0.9% decrease. The public hearing requirement for Blue Cross is not triggered this year. The purpose of this Report is to provide the results of our review and analysis of Blue Cross's Filings and to provide alternative recommendations and calculations to Blue Cross's requested rates on behalf of the Attorney General.

II. PERSONAL QUALIFICATIONS

Beth Fritchen, FSA, MAAA, is a Partner with Oliver Wyman Actuarial Consulting, Inc., and serves as Managing Actuary. Beth has over 30 years of experience in the health insurance market which includes pricing of products for the individual, small group and large group markets, as well as the pricing of drug, vision, dental and specialty HMO products. Beth has extensive experience reviewing rate filings and testifying before various legislative venues on behalf of several states.

Gabe Rivera, FSA, MAAA, is a Senior Consulting Actuary with Oliver Wyman Actuarial Consulting, Inc. Gabe has over 9 years of experience in the health insurance market which includes pricing of products for the individual, small group and large group markets. Gabe also has extensive experience reviewing rate filings for various states.

III. BACKGROUND

Pursuant to Rhode Island General Laws § 27-19.2-10(2), Blue Cross is required to offer coverage to citizens of Rhode Island in the individual market. Blue Cross' last rate filing in the individual market for its Direct Pay products had an initial request of -0.1%. The final approved rate change of -1.5% was finalized in August of 2019, with rates becoming effective January 1, 2020.

In March 2010, the 111th Congress passed health reform legislation, the Patient Protection and Affordable Care Act ("ACA"; P.L. 111-148), as amended by the Health Care and Education Reconciliation Act of 2010 (HCERA; P.L. 111- 152) and other laws. The ACA expanded federal private health insurance market requirements and required the creation of health insurance exchanges effective January 1, 2014 to provide individuals with access to insurance. Blue Cross is required to comply with all the ACA requirements for plans that are sold both through the Exchange (HealthSource Rhode Island – or "HSRI") and outside the Exchange. Blue Cross's product offerings must comply with the ACA's rules and premium rates which must be the same for both Exchange and non-Exchange products. The ACA's restrictions on rating do not allow rates to vary by gender or by health status and substantially limit variation by age and family status. As required by OHIC, the current Filing relies on experience from 2019, the most recently completed calendar year.

As stated in page 2 of Blue Cross' filed Actuarial Memorandum, "the proposed weighted average rate change for the Individual market is 5.7%".

IV. MATERIALS REVIEWED

In performing our analysis and preparing our report, we reviewed the filing, as well as the materials submitted by Blue Cross in response to data requests submitted by the Attorney General, OHIC and Oliver Wyman. We also reviewed publicly available information relevant to this filing. Revisions and supplementation to this Report may occur as further information becomes available, is otherwise discovered or developed, or as any additional matters or issues may be raised in connection with the filing.

V. **FINDINGS**

A. **There are assumptions in Blue Cross's Filings that, if adjusted to our recommendations, could reduce rates by 4.2%.**

The Blue Cross Filing contains assumptions in calculating its requested rates that could be reasonably adjusted to reflect less conservative assumptions. These assumption changes could reduce rates by 4.2%. The assumptions that could result in lower rates are: changes in the projected inpatient utilization trends, contributions to reserves and new pharmacy drug cost and utilization projections. Each of these assumptions are discussed in turn below.

We have prepared a number of exhibits for this Report that analyze the impact on Blue Cross' requested rate changes, including Exhibits AG-1 through 4. For each of the exhibits, we have relied upon the data, formats and formulas that Blue Cross either used in its Filing or included in its responses to data requests. For ease of reference, in each of these Exhibits, we have highlighted the factor(s) that we have changed. Exhibits 1 through 3 focus on each of the three issues in isolation, while Exhibit AG-4 includes the impact of all issues raised herein combined.

We have measured the value of each of the recommended changes by valuing the impact on the "EHB Rate" which is identified in Line 95 of the Part II Rate Development tab of the Filing template. For each age and each plan option offered in 2021, Blue Cross' corresponding premium rate will be a multiple of the approved EHB Rate. Therefore, any percentage change in the EHB Rate will be reflected as an identical percentage change in the rate Blue Cross will be permitted to charge a member. For example, a 1% reduction in the EHB Rate will reduce each and every member's premium in 2021 by 1% from Blue Cross' proposed rates.

1) Utilization Trends.

We have reviewed the general information provided by Blue Cross related to utilization trends. Blue Cross provided utilization trend graphs in response to OHIC questions that were asked on June 25th, 2020. The graphs provided were developed separately by service category (inpatient, outpatient, professional, prescription drug) and encompassed 24 months of data, from January 2018 through December 2019. Included in the graphs were estimates of the best-fit regression line with the associated trend for each of the service categories. The utilization trends used in pricing differ from the best-fit trends for the inpatient services. Blue Cross provides the fluctuation in inpatient utilization trends over the last few years as support for their recommended trend of 0.0% in place of the demonstrated 'Best R' fit trend of -2.6% that is provided in their utilization trend development. Every other service category uses the 'Best R' utilization trend, and while the other service categories may not see the fluctuation that the inpatient category sees, a review of the first quarter of 2020 provided in response to our questions by Blue Cross suggests the negative trend still holds. A reasonable assumption would be to use the best-fit trend of -2.6% for the inpatient utilization trend.

Exhibit AG-1 provides the impact of changing the utilization trends to those shown as the best-fit trends for all the service categories. These changes reduce the EHB rate from \$432.54 PMPM to \$427.88 PMPM, reducing the requested increase by 1.1%.

2) Contribution to Reserves for 2021.

Page 15 of the Actuarial Memorandum states that Blue Cross has requested a 2.0% contribution to corporate reserves (Profit and Risk Load). Included in the 2.0% contribution factor is a 0.5% adjustment to account for the possibility of a funding shortfall associated with the state reinsurance program due to the program's reliance on tax collection and federal funds from the program savings. While this 2.0% contribution to reserves is a decrease of 1.0% from the 2020 rate filing, the RBC ratios provided by

Blue Cross over the last 3 years show a continued year-over-year increase, with a healthy 638% RBC ratio for 2019. An RBC ratio of 200% is the minimum surplus level needed for a health insurer to avoid regulatory action. The Blue Cross Association does have stricter guidelines, where RBC ratios below 375% would require internal monitoring. Even under the stricter company requirements, the current RBC levels are well above.

While the 2020 RBC ratio is not yet available, a reasonable assumption would be that the 2020 ratio could demonstrate a continued increase to reserves due to both the 3.0% contribution to reserves that was approved for the 2020 rates and the COVID-19 pandemic, which could likely result in lower than expected medical claims for 2020, therefore increasing the reserves. We believe a 0.0% contribution to reserves to be a reasonable and less conservative assumption. We believe their reserve position and the vulnerability of this population supports our recommendation.

Exhibit AG-2 provides the impact of reducing the contribution to reserves from 2.0% to 0.0%. This change reduces the EHB rate from \$432.54 PMPM to \$422.02 PMPM, reducing the requested increases by 2.4%.

3) [REDACTED]

In response to questions asked by OHIC regarding new high-cost drugs [REDACTED]
[REDACTED], Blue Cross outlined the impact of a new market drug [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] This change reduces the EHB rate from \$432.54 PMPM to \$429.40 PMPM, reducing the requested increases by 0.7%.

[REDACTED]

CONCLUSION

In total, the adjustments to the rates that are recommended as shown in Exhibit AG-4 reduce Blue Cross's EHB rate from \$432.54 PMPM to \$414.44 PMPM reducing the projected rates by 4.2%. The Attorney General's recommended rates result in a weighted average increase of 1.2% compared on an apples-to-apples basis to Blue Cross's requested increase of 5.7%. The lower recommended weighted average rate increase would result in premium savings of approximately \$5.0 Million.

August 10, 2020

(Date)

Oliver Wyman Actuarial Consulting, Inc.

By:



Beth Fritchen, FSA, MAAA



Gabe Rivera, FSA, MAAA

VI. EXHIBITS

Exhibit AG 1 - Reduce Utilization Trends Rate Development

Unified Rate Review v5.0

Company Legal Name	Blue Cross Blue Shield of Rhode Island	State	RI
HIOS Issuer ID	15287	Market	Individual
Effective Date of Rate Change(s)	1/1/2021		

Market Level Calculations (Same for all Plans)

Section I: Experience Period Data

Experience Period:	1/1/2019	to	12/31/2019
		Total	PMPM
Allowed Claims		\$138,008,555.88	\$629.47
Reinsurance		\$0.00	\$0.00
Incurred Claims in Experience Period		\$112,203,427.79	\$511.42
Risk Adjustment		\$3,358,922.14	\$15.31
Experience Period Premium		\$119,517,209.91	\$544.76
Experience Period Member Months		219,394	

Section II: Projections

Benefit Category	Experience Period Index		Year 1 Trend		Year 2 Trend		Trended EHB Allowed Claims PMPM
	Rate PMPM	Cost	Utilization	Cost	Utilization	Rate PMPM	
Inpatient Hospital	\$123.13	1.026	0.974	1.035	0.974	1.036	\$124.04
Outpatient Hospital	\$162.78	1.021	1.036	1.030	1.036	1.036	\$183.73
Professional	\$172.12	0.884	1.040	1.025	1.040	1.040	\$168.68
Other Medical	\$12.8	0.884	1.040	1.025	1.040	1.040	\$11.94
Capitation	\$0.00	1.000	1.000	1.000	1.000	1.000	\$0.00
Prescription Drug	\$130.45	0.991	1.075	0.990	1.075	1.075	\$147.90
Total	\$600.66						\$636.30
Manual EHB Allowed Claims PMPM							\$0.00
Applied Credibility %							100.00%
Credibility Adjusted EHB Allowed Claims PMPM for Morbidity Adjustment		1/1/2021					\$636.30
Demographic Shift							1.000
Plan Design Changes							0.997
Other							0.926
Projected Index Rate for Reinsurance		1/1/2021					\$587.45
Risk Adjustment Payment/Charge							\$0.00
Exchange User Fees							\$19.57
Initial Quarter Market Adjusted Index Rate							1.62%
Projected Member Months							\$577.23
							\$122,179,401.85
							\$4,070,246.88
							\$1,944,875.29
							\$120,054,026.26
							207,984

Section III: Calculation of EHB Rate for 21 Year Old, 0% Cost Sharing, Silver Utilization Level

Section III A: Market Adjusted Index Rate Silver Utilization Level

(1)	Experience Period Paid to Allowed Ratio	0.81
(2)	Paid to Allowed Ratio in Projection Period	0.78
(3)	Projected AV Metal Value	0.72
(4)	Adjustment to Silver Level Utilization	1.04
(5)	Initial Quarter Market Adjusted Index Rate Silver Utilization Level	\$597.75

Section III B: Retention Charge

	PMPM	% Charge
(6) Administrative Expense Load	\$108.31	14.5%
(7) ACA Fees and Taxes	\$0.63	0.1%
(8) Broker Commission	\$0.00	0.0%
(9) Premium Tax	\$14.90	2.0%
(10) Other Retention Charge	\$8.45	1.1%
(11) Contribution to Reserve	\$14.90	2.0%
(12) Investment Income Credit	-\$0.15	0.0%
(13) Total Retention Charge	\$147.03	19.7%
(14) 1/1/2021 or 1Q 2021 EHB Revenue Requirement for 0% cost sharing, silver utilization level (70%)	\$744.78	

Section III C: Average Rate Change

(15) Age Calibration to 21 year old	0.57	
(16) 1/1/2021 EHB Rate for 21 year old, 0% cost sharing, silver utilization level (70%)	\$427.88	Original Rate: \$432.54
(17) 1/1/2020 Approved EHB Rate for 21 year old, 0% cost sharing, silver utilization level (70%)	\$436.30	Percent Change: -1.1%

Exhibit AG-2: Reduce Contribution to Reserves

Company Legal Name	Blue Cross Blue Shield of Rhode Island	State	RI
HIOS Issuer ID	15287	Market	Individual
Effective Date of Rate Change(s)	1/1/2021		

Market Level Calculations (Same for all Plans)

Section I: Experience Period Data

Experience Period:	1/1/2019	to	12/31/2019
	Total		PMPM
Allowed Claims	\$138,100,855.88		\$629.47
Reinsurance	\$0.00		\$0.00
Incurred Claims in Experience Period	\$112,203,427.79		\$511.42
Risk Adjustment	\$3,358,922.14		\$15.31
Experience Period Premium	\$119,517,209.91		\$544.76
Experience Period Member Months	219,394		

Section II: Projections

Benefit Category	Year 1 Trend			Year 2 Trend			Trended EHB Allowed Claims PMPM
	Experience Period Index Rate PMPM	Cost	Utilization	Cost	Utilization	Claims PMPM	
Inpatient Hospital	\$123.13	1.026	1.000	1.035	1.000	\$130.75	
Outpatient Hospital	\$162.78	1.021	1.036	1.030	1.036	\$183.73	
Professional	\$172.12	0.884	1.040	1.025	1.040	\$168.68	
Other Medical	\$12.18	0.884	1.040	1.025	1.040	\$11.94	
Capitation	\$0.00	1.000	1.000	1.000	1.000	\$0.00	
Prescription Drug	\$130.45	0.991	1.075	0.990	1.075	\$147.90	
Total	\$600.66					\$643.01	
Manual EHB Allowed Claims PMPM				\$0.00			
Applied Credibility %				100.00%			
Credibility Adjusted EHB Allowed Claims PMPM for Morbidity Adjustment		1/1/2021		\$643.01			
Demographic Shift				1.000			
Plan Design Changes				0.997			
Other				0.926			
Projected Index Rate for Reinsurance		1/1/2021		\$593.64	\$123,467,825.21		
Risk Adjustment Payment/Charge				\$0.00	\$0.00		
Exchange User Fees				\$19.57	\$4,070,246.88		
Initial Quarter Market Adjusted Index Rate				1.62%	\$1,966,091.45		
Projected Member Months				\$583.52	\$121,363,669.78		
				207,984			

Section III: Calculation of EHB Rate for 21 Year Old, 0% Cost Sharing, Silver Utilization Level

Section III A: Market Adjusted Index Rate Silver Utilization Level

(1)	Experience Period Paid to Allowed Ratio	0.81
(2)	Paid to Allowed Ratio in Projection Period	0.78
(3)	Projected AV Metal Value	0.72
(4)	Adjustment to Silver Level utilization	1.04
(5)	Initial Quarter Market Adjusted Index Rate Silver Utilization Level	\$604.27

Section III B: Retention Charge

	PMPM	% Charge
(6) Administrative Expense Load	\$106.82	14.5%
(7) ACA Fees and Taxes	\$0.62	0.1%
(8) Broker Commission	\$0.00	0.0%
(9) Premium Tax	\$14.69	2.0%
(10) Other Retention Charge	\$8.33	1.1%
(11) Contribution to Reserve	\$0.00	0.0%
(12) Investment Income Credit	-\$0.15	0.0%
(13) Total Retention Charge	\$130.32	17.7%
(14) 1/1/2021 or 1Q 2021 EHB Revenue Requirement for 0% cost sharing, silver utilization level (70%)	\$734.59	

Section III C: Average Rate Change

(15) Age Calibration to 21 year old	0.57	
(16) 1/1/2021 EHB Rate for 21 year old, 0% cost sharing, silver utilization level (70%)	\$422.02	Original Rate: \$432.54
(17) 1/1/2020 Approved EHB Rate for 21 year old, 0% cost sharing, silver utilization level (70%)	\$436.30	Percent Change: -2.4%

Exhibit AG-3: Reduce [REDACTED] Projections

Company Legal Name	Blue Cross Blue Shield of Rhode Island	State	RI
HIOS Issuer ID	15287	Market	Individual
Effective Date of Rate Change(s)	1/1/2021		

Market Level Calculations (Same for all Plans)

Section I: Experience Period Data

Experience Period:	1/1/2019	to	12/31/2019
	Total		PMPM
Allowed Claims	\$138,100,855.88		\$629.47
Reinsurance	\$0.00		\$0.00
Incurred Claims in Experience Period	\$112,203,427.79		\$511.42
Risk Adjustment	\$3,358,922.14		\$15.31
Experience Period Premium	\$119,517,209.91		\$544.76
Experience Period Member Months	219,394		

Section II: Projections

Benefit Category	Year 1 Trend			Year 2 Trend			Trended EHB Allowed Claims PMPM
	Experience Period Index Rate PMPM	Cost	Utilization	Cost	Utilization	Rate PMPM	
Inpatient Hospital	\$123.13	1.026	1.000	1.035	1.000		\$130.75
Outpatient Hospital	\$162.78	1.021	1.036	1.030	1.036		\$183.73
Professional	\$172.12	0.884	1.040	1.025	1.040		\$168.68
Other Medical	\$12.18	0.884	1.040	1.025	1.040		\$11.94
Capitation	\$0.00	1.000	1.000	1.000	1.000		\$0.00
Prescription Drug	\$130.45	0.991	1.075	0.990	1.075		\$147.90
Total	\$600.66						\$643.01

Manual EHB Allowed Claims PMPM	\$0.00
Applied Credibility %	100.00%
Credibility Adjusted EHB Allowed Claims PMPM for Morbidity Adjustment	\$643.01
Demographic Shift	1.000
Plan Design Changes	0.990
Other	0.926

	1/1/2021	Projected Period Totals
Projected Index Rate for Reinsurance	\$589.47	\$122,600,949.81
Risk Adjustment Payment/Charge	\$0.00	\$0.00
Exchange User Fees	\$19.57	\$4,070,246.88
Initial Quarter Market Adjusted Index Rate	1.62%	\$1,951,816.82
	\$579.29	\$120,482,519.75

Projected Member Months	207,984
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Section III: Calculation of EHB Rate for 21 Year Old, 0% Cost Sharing, Silver Utilization Level

Section III A: Market Adjusted Index Rate Silver Utilization Level

(1)	Experience Period Paid to Allowed Ratio	0.81
(2)	Paid to Allowed Ratio in Projection Period	0.78
(3)	Projected AV Metal Value	0.72
(4)	Adjustment to Silver Level utilization	1.04
(5)	Initial Quarter Market Adjusted Index Rate Silver Utilization Level	\$599.88

Section III B: Retention Charge

	PMPM	% Charge
(6)	Administrative Expense Load	\$108.69 14.5%
(7)	ACA Fees and Taxes	\$0.63 0.1%
(8)	Broker Commission	\$0.00 0.0%
(9)	Premium Tax	\$14.95 2.0%
(10)	Other Retention Charge	\$8.48 1.1%
(11)	Contribution to Reserve	\$14.95 2.0%
(12)	Investment Income Credit	-\$0.15 0.0%
(13)	Total Retention Charge	\$147.55 19.7%
(14)	1/1/2021 or 1Q 2021 EHB Revenue Requirement for 0% cost sharing, silver utilization level (70%)	\$747.43

Section III C: Average Rate Change

(15)	Age Calibration to 21 year old	0.57	
(16)	1/1/2021 EHB Rate for 21 year old, 0% cost sharing, silver utilization level (70%)	\$429.40	Original Rate: \$432.54
(17)	1/1/2020 Approved EHB Rate for 21 year old, 0% cost sharing, silver utilization level (70%)	\$436.30	Percent Change: -0.7%

Exhibit AG-4: All Adjustments – Summary of Changes

Company Legal Name:	Blue Cross Blue Shield of Rhode Island	State:	RI
HIOS Issuer ID:	15287	Market:	Individual
Effective Date of Rate Change(s):	1/1/2021		

Market Level Calculations (Same for all Plans)

Section I: Experience Period Data

Experience Period:	1/1/2019	to	12/31/2019
	Total		PMPM
Allowed Claims	\$138 100 855.88		\$629.47
Reinsurance	\$0.00		\$0.00
Incurred Claims in Experience Period	\$112 203 427.79		\$511.42
Risk Adjustment	\$3 358 922.14		\$15.31
Experience Period Premium	\$119 517 209.91		\$544.76
Experience Period Member Months	219 394		

Section II: Projections

Benefit Category	Year 1 Trend			Year 2 Trend			Trended EHB Allowed Claims PMPM
	Experience Period Index Rate PMPM	Cost	Utilization	Cost	Utilization	Claims PMPM	
Inpatient Hospital	\$123.13	1.026	0.974	1.035	0.974	\$124.04	
Outpatient Hospital	\$162.78	1.021	1.036	1.030	1.036	\$183.73	
Professional	\$172.12	0.884	1.040	1.025	1.040	\$168.68	
Other Medical	\$12.18	0.884	1.040	1.025	1.040	\$11.94	
Capitation	\$0.00	1.000	1.000	1.000	1.000	\$0.00	
Prescription Drug	\$130.45	0.991	1.075	0.990	1.075	\$147.90	
Total	\$600.66					\$636.30	

Manual EHB Allowed Claims PMPM	\$0.00
Applied Credibility %	100.00%

Credibility Adjusted EHB Allowed Claims PMPM for 1/1/2021	\$636.30
Morbidity Adjustment	1.000
Demographic Shift	1.000
Plan Design Changes	0.990
Other	0.926

	1/1/2021	Projected Period Totals
Projected Index Rate for Reinsurance	\$583.32	\$121 321 572.55
Reinsurance	\$0.00	\$0.00
Risk Adjustment Payment/Charge	\$19.57	\$4 070 246.88
Exchange User Fees	1.62%	\$1 930 749.62
Initial Quarter Market Adjusted Index Rate	\$573.03	\$119 182 075.29

Projected Member Months	207 984
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Section III: Calculation of EHB Rate for 21 Year Old, 0% Cost Sharing, Silver Utilization Level

Section III A: Market Adjusted Index Rate Silver Utilization Level

(1) Experience Period Paid to Allowed Ratio	0.81
(2) Paid to Allowed Ratio in Projection Period	0.78
(3) Projected AV Metal Value	0.72
(4) Adjustment to Silver Level utilization	1.04
(5) Initial Quarter Market Adjusted Index Rate Silver Utilization Level	\$593.41

Section III B: Retention Charge

	PMPM	% Charge
(6) Administrative Expense Load	\$104.91	14.5%
(7) ACA Fees and Taxes	\$0.61	0.1%
(8) Broker Commission	\$0.00	0.0%
(9) Premium Tax	\$14.43	2.0%
(10) Other Retention Charge	\$8.18	1.1%
(11) Contribution to Reserve	\$0.00	0.0%
(12) Investment Income Credit	-\$0.14	0.0%
(13) Total Retention Charge	\$127.98	17.7%
(14) 1/1/2021 or 1Q 2021 EHB Revenue Requirement for 0% cost sharing, silver utilization level (70%)	\$721.39	

Section III C: Average Rate Change

(15) Age Calibration to 21 year old	0.57	
(16) 1/1/2021 EHB Rate for 21 year old, 0% cost sharing, silver utilization level (70%)	\$414.44	Original Rate: \$432.54
(17) 1/1/2020 Approved EHB Rate for 21 year old, 0% cost sharing, silver utilization level (70%)	\$436.30	Percent Change: -4.2%

From: Richard Morgera <[REDACTED]>
Date: August 1, 2020 at 12:47:19 PM EDT
To: rep-cortvriend@rilegislature.gov
Subject: R.I. Health insurance rip off

“If Non-COVID care collapsed as hospitals emptied beds and shut down operating rooms to prepare for an expected onslaught of patients sickened by the coronavirus, while fear of contracting it kept people away from ERs, doctors’ offices and outpatient clinics. In many regions of the country, the onslaught did not come, and the billions of dollars lost by hospitals and physicians constituted huge savings for health plans, fattening their bottom lines“

Teri please don’t let insurance companies Again plead losses and ask for premium increases in the individual market this Coming year (it is embarrassing as an American,that we allow United Health Care especially,to profit on illness, there stock holders have been happy over the last several years and now with Covid cancelling elective surgery this year should be very profitable for them). With unemployment high in R.I. and economic recovery a distant hope my patients and all R.I. citizens cannot absorb another rate hike!

Rich Morgera MD

[REDACTED]

Sent from my iPad