

To: John Lynch, Chief Actuary, Blue Cross and Blue Shield of RI  
 David Hoesly, Director of Pricing and Actuary Services, United Health Group MN  
 Patrick Ross, Government Affairs Manager, Tufts Health Plan

From: Herb Olson, Legal Counsel OHIC

Date: April 8, 2011

Re: **Small and Large Group Rate Factor Filings: Administrative Costs**

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Please submit the following documentation for the upcoming rate factor filing.

1. Please provide an excel spreadsheet in the following format, detailing the 2010 actual and 2012 requested small and large group administrative costs pmpm, allocated among the NAIC- financial statement administrative cost categories. Please explain any significant changes from the financial filing for 2010 (increases/decreases of more than five percent in a particular category).

	2010 Actual (from filed financial statements)		2012 Proposed		% Change	
	Small Group	Large Group	Small Group	Large Group	Small Group	Large Group
Total Estimated Member Months						
Total Estimated Premiums (\$pmpm)						
Total General Administrative Expense (\$pmpm)						
Total Cost Containment Expense						
Total Other Claim Adjustment Expense						
Breakdown of General Administrative Expense (\$ pmpm)						
a. Payroll and benefits						
b. Outsourced Services (EDP, claims etc.)						
c. Auditing and consulting						
d. Commissions						
e. Marketing and Advertising						
f. Legal Expenses						
g. Taxes, Licenses and Fees						

	2010 Actual (from filed financial statements)		2012 Proposed		% Change	
	Small Group	Large Group	Small Group	Large Group	Small Group	Large Group
h. Reimbursements by Uninsured Plans						
i. Other Admin Expenses						

2. Please also provide an excel spreadsheet in the following format; detailing actual calendar year 2006-2010 fully insured commercial administrative costs, in accordance with the following table. This should be consistent with the annual statement filings to OHIC for administrative costs, providing additional detail on the components of administrative costs using the categories defined by the NAIC financial statement and as allocated to commercially insured business only. Specifically, the information provided should agree with the “Exhibit of Premiums, Enrollment and Utilization” and the “Analysis of Operations by Line of Business” schedules included in the Annual Statements on file with OHIC. Where there are variance, a reconciliation and explanation should be provided.

Fully Insured Commercial Administrative Cost History					
	2006	2007	2008	2009	2010
Total Premiums					
Total General Administrative Expense					
General Admin Exp. Ratio					
Total Fully Insured Member Months					
General Administrative Expense (\$mpm)					
Breakdown of General Administrative Expenses (\$ pmpm)					
a. Payroll and benefits					
b. Outsourced Services (EDP, claims etc.)					
c. Auditing and consulting					
d. Commissions					
e. Marketing and Advertising					
f. Legal Expenses					
g. Taxes, Licenses and Fees					
h. Reimbursements by Uninsured Plans					
i. Other Admin Expenses					
Cost Containment Expense					

Fully Insured Commercial Administrative Cost History					
	2006	2007	2008	2009	2010
Other Claim Adjustment Expense					
Total Self Insured Member Months for all affiliated companies doing business in RI					

3. At the request of OHIC's Health Insurance Advisory Council, please provide brief answers to the following questions
- In general and net of new taxes and fees, why should the rate of increase in Health Plan administrative costs exceed the general inflation rate?
  - What percentage of administrative costs does your organization consider fixed for the next five years? Provide detail by expense categories.
  - What administrative services are used by fully insured members that are not used by self-insured clients (e.g. broker commissions) and what are the estimated total costs (\$mpm) for those services?
  - What does your plan use as its pmpm benchmarks or price points for commercial insurance administrative costs and why?

Please contact Charlie DeWeese or me with any questions concerning this request. Thank you for your cooperation.

cc: Charlie DeWeese