

Consumer Disclosure – Individual Market

Blue Cross & Blue Shield of Rhode Island (“BCBSRI”) has submitted its annual rate filing for the individual market. 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 Benefits 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 BCBSRI plan that provides 100% coverage for all Essential Health Benefits (EHB) is 7.8%. Since this EHB increase uses a theoretical plan, it allows for comparisons across health insurance carriers and years.
- Weighted Average Rate Increase: Plan rates are adjusted to reflect the benefits selected, including modifications to benefits and cost sharing. The average premium increase to BCBSRI members, not reflecting changes due to age, is expected to be 9.0%.

The range of rate increases for BCBSRI plans, before reflecting changes due to age, which consumers will experience is: 3.6 to 11.7%.

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 28,000 individuals now enrolled with BCBSRI and new customers joining after January 1, 2017. These individuals are enrolled either:

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

The rate increase will take effect January 1, 2017. Rates will stay in effect until December 31, 2017.

Key Drivers for this Filing:

The rate increase for 2017 is due to two main factors:

- the continuing increase in the total cost of health care in Rhode Island; and
- the scheduled end of the Transitional Reinsurance program provided under the Patient Protection and Affordable Care Act (“ACA”).

Premium is driven mainly by the cost of health care services BCBSRI pays for on behalf of our members. This filing reflects a projected medical loss ratio (“MLR”) of 87.5% using the federal formula. The MLR is the percent of each premium dollar that we spend to pay for health care services 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.

Health care expenses are driven by:

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

For 2017, projected increases in the cost of health care 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. The increase in the cost of health care services is partly offset by expected savings from newly negotiated pharmacy prices.

While utilization has risen at a modest rate, the projected rise in the price of services results in an increase in rates. Administrative costs and premium taxes paid to the state of Rhode Island also factor into this filing.

This filing is also affected by ACA taxes and fees. A major part of the increase is due to the scheduled end of the federal reinsurance program. The reinsurance program is a temporary program started under the ACA. Starting in 2014 and ending in 2016, it pays for a certain percentage of claims over a threshold amount. Because those payments will not be made for 2017 claims, rates for 2017 will increase. However, this increase is partly offset by the temporary suspension of the health insurance tax in 2017 and the end of the reinsurance fee under the ACA. Also, a state fee used to fund HealthSource RI adds a 2.1% increase to the rate.

Changes in Benefits:

At the same time as this filing, BCBSRI submitted our 2017 health plans to the Office of the Health Insurance Commissioner for approval. The plan filing includes benefit changes such as changes to cost sharing amounts and annual out of pocket maximums consistent with federal regulations. These benefit changes will take effect on January 1, 2017.

As of January 1, 2017, BCBSRI will no longer offer the BlueSolutions for HSA Direct 3700/7400 plan in the individual market.

Members who are now enrolled in this plan will receive notice that the plan will no longer be available after December 31, 2016. We will help these members select a new plan that meets their needs. From November 1, 2016 through January 31, 2017 (open enrollment), individuals will have the choice of any plan offered in the individual market.