

## Consumer Disclosure – Small Group

Blue Cross & Blue Shield of Rhode Island (“BCBSRI”) has submitted its annual rate filing for the small group 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 would be 5.4%. 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 for all BCBSRI small groups in 2017, not including changes in age, is expected to be 7.9%.

The range of rate increases for BCBSRI plans, before reflecting changes due to age, which small groups will experience is: -4.5 to 16.6%.

The actual increase experienced by a group and its employees will vary based upon:

- the age of each employee and their dependents; and
- the plan selected.

### **Key Drivers for this Filing:**

The rate increase for 2017 is mainly due to the continuing increase in the total cost of health care in Rhode Island.

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 83.1% 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 small group market.

Health care 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 2017, 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. The increase in the cost of medical 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 means an overall increase in rates. Administrative costs factor into this filing, as do premium taxes paid to the state of Rhode Island. This includes a fee to fund Rhode Island’s health insurance marketplace, HealthSource RI, adding a 0.4% increase to the rate. The rate increase needed in 2017 is partially offset by the temporary suspension of the federal health insurance tax for 2017

and the elimination of the reinsurance fee under the Patient Protection and Affordable Care Act (“ACA”).

**Changes in Benefits:**

At the same time as this filing, BCBSRI submitted plans to the Office of the Health Insurance Commissioner for approval. The plan filing includes benefit changes such as increases in annual out of pocket maximums consistent with federal regulations, and changes to copays and coinsurance levels.

Also, effective upon renewal starting January 1, 2017, BCBSRI will withdraw two plans from the small group market. The plans being withdrawn are the BlueSolutions 4750/9500 bronze plan and the VantageBlue Select 100/80 gold plan. Employers and subscribers who are now enrolled in one of these plans will receive notice that their plan is being withdrawn from the market as of their next renewal. Employers will have the option to select any other plan offered in the small group market. We will help employers affected by this withdrawal to select a new plan that meets their needs.