

2016 Health Insurance Premium Rate Review Process Individual Essential Health Benefits Base Rate Summary

The following table depicts the Essential Health Benefits (EHB) base rate, the overall weighted average increase, and the key assumptions behind premium development for the individual market filed by Blue Cross Blue Shield of Rhode Island (BCBSRI) and Neighborhood Health Plan of Rhode Island (NHPRI) as part of the Office of the Health Insurance Commissioner's (OHIC) 2016 rate review process (for rates effective in 2017). This information is subject to change as the rate review process continues. Please see our 2016 Rate Review Process Public Comment Solicitation for more information about the rates and this process.

OHIC is currently reviewing these assumptions. This review process will culminate in a final decision by Commissioner Kathleen C Hittner approving, modifying, or rejecting the requested rates. For more information on the rate review process or information about rates filed in the small group or large group markets, please visit <http://www.ohic.ri.gov/ohic-formandratereview.php>.

There are approximately 46,000 consumers enrolled in individual market plans with these carriers (data as of March 2016). This represents 20% of the fully-insured market (individual, small group, and large group markets).

- The **EHB base rate** represents the monthly average rate for a hypothetical plan with no cost-sharing for a 21-year old for a given insurer in a given market. Essential Health Benefits are a set of benefits that must be covered by plans, as called for in the Affordable Care Act.
- The **Overall Weighted Average Rate Increase** represents adjustments to reflect the benefits in plans, including modifications to prior year benefits and pricing and it includes terminated plans. This weighted average rate increase represents the average rate that consumers will experience. The **range of rate changes** represents variation by plan benefits. It does not include the effect of changes in age.
- The **Medical Expense Trend Assumption** is the annualized rate of increase due to increases in the unit cost of services and in the utilization of services. Because rates are generally based on the calendar year 2015 experience adjusted for trend, the expected experience underlying the 2017 rates is projected using two years of medical expense trend.
- The **Non-Medical Portion of Premium** represents the percent of overall premium that is required to cover administrative expense, contribution to reserves and required taxes and fees, including premium tax, ACA fees (0% because they were suspended for 2017) and HealthSource RI Exchange Fees.

Individual Market Rate Request Summary – Requested Amounts (Data as of June 14, 2016)

	BCBSRI	NHPRI
EHB Base Rate ¹	\$392.76	\$282.93
EHB Base Rate Change from 2016	7.8%	-9.4%
Overall Average Weighted Rate Change ²	9.0%	-5.0%
Range of Average Weighted Rate Change	3.6% to 11.7%	-8.5% to -0.4%

Individual Market Rate Request Summary – Medical Trend Assumptions (Data as of June 14, 2016)

	BCBSRI	NHPRI
Hospital Inpatient	2.7%	2.7%
Hospital Outpatient	4.4%	3.7%
Primary Care	10.9%	5.4%
Other Medical/Surgical	6.2%	5.4%
Prescription Drug	11.8%	9.6%
Capitation	0.0%	0.0%
Total Weighted Trend	6.4%	5.1%

Individual Market Rate Request Summary – Risk Adjustment Assumption (Data as of June 14, 2016)

	BCBSRI	NHPRI
Risk Adjustment Assumption ³	-7.8%	47.5%

Individual Market Rate Request Summary – Non-Medical Portion of Premium (Data as of June 14, 2016)

	BCBSRI	NHPRI
Administrative Expense	9.7%	18.5%
ACA Fees ⁴	0.0%	0.0%
State Premium Tax	2.0%	2.0%
Contribution to Reserves	3.0%	3.0%
HealthSource RI Assessment ⁵	2.3%	7.1%

¹ Represents the monthly average rate for a hypothetical plan (no member cost sharing) for a 21-year old for a given insurer in a given market, excluding the cost of pediatric dental.

² Represents adjustments to reflect the benefits in plans, including modifications to prior year benefits and pricing and terminated plans. This weighted average rate change represents the average rate change that consumers will experience.

³ Represents an adjustment to reflect the ACA's risk adjustment program which redistributes funds from carriers with lower-risk enrollees to plans with higher-risk enrollees.

⁴ Represents costs associated with ACA's taxes and fees. Congress suspended the Health Insurer Tax for calendar year 2017. The Patient-Centered Outcomes Research Trust Fund (PCORI) fee is negligible and represents less than a tenth of a percent in this calculation.

⁵ Represents the assessment being charged to fund the ongoing operations of RI's state-based insurance marketplace, HealthSource RI.