

State: Rhode Island **Filing Company:** Blue Cross & Blue Shield of Rhode Island
TOI/Sub-TOI: MS09 Medicare Supplement - Other 2010/MS09.000 Medicare Supplement Other 2010
Product Name: Plan 65 - Individual
Project Name/Number: April 2016 PL65 Individual/2016PL65NG2

Filing at a Glance

Company: Blue Cross & Blue Shield of Rhode Island
 Product Name: Plan 65 - Individual
 State: Rhode Island
 TOI: MS09 Medicare Supplement - Other 2010
 Sub-TOI: MS09.000 Medicare Supplement Other 2010
 Filing Type: Rate
 Date Submitted: 01/11/2016
 SERFF Tr Num: BCBS-130394098
 SERFF Status: Assigned
 State Tr Num:
 State Status: Open-Pending Actuary Review
 Co Tr Num: 2016PL65NG2

 Implementation: 04/01/2016
 Date Requested:
 Author(s): Jessie Knowles, Sean Neylon, Sam Chhay, Huy Ho, Konrad Lech
 Reviewer(s): Linda Johnson (primary), Sandra West, Maria Casale, Charles DeWeese, Emily Maranjian
 Disposition Date:
 Disposition Status:
 Implementation Date:

 State Filing Description:

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General Information

Project Name: April 2016 PL65 Individual Status of Filing in Domicile: Not Filed
 Project Number: 2016PL65NG2 Date Approved in Domicile:
 Requested Filing Mode: Review & Approval Domicile Status Comments:
 Explanation for Combination/Other: Market Type: Individual
 Submission Type: New Submission Individual Market Type:
 Overall Rate Impact: 5.9% Filing Status Changed: 01/12/2016
 State Status Changed: 01/12/2016
 Deemer Date: Created By: Jessie Knowles
 Submitted By: Konrad Lech Corresponding Filing Tracking Number:

Filing Description:
 Filing revised rates for individual Plan 65 Medigap and Select, effective 4/1/2016 through 6/30/2017.

Company and Contact

Filing Contact Information

Sean Neylon, Manager sean.neylon@bcbsri.org
 500 Exchange Street 401-459-1278 [Phone] 1278 [Ext]
 Providence, RI 02903

Filing Company Information

Blue Cross & Blue Shield of Rhode Island CoCode: 53473 State of Domicile: Rhode Island
 500 Exchange Street Group Code: Island
 Providence, RI 02903 Group Name: Company Type: Health Insurance
 (401) 459-1000 ext. [Phone] FEIN Number: 05-0158952 State ID Number:

Filing Fees

Fee Required? Yes
 Fee Amount: \$320.00
 Retaliatory? No
 Fee Explanation: 8 forms @ \$40 each = \$320
 Per Company: Yes

Company	Amount	Date Processed	Transaction #
Blue Cross & Blue Shield of Rhode Island	\$320.00	01/11/2016	104781294

SERFF Tracking #:

BCBS-130394098

State Tracking #:

Company Tracking #:

2016PL65NG2

State:

Rhode Island

Filing Company:

Blue Cross & Blue Shield of Rhode Island

TOI/Sub-TOI:

MS09 Medicare Supplement - Other 2010/MS09.000 Medicare Supplement Other 2010

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April 2016 PL65 Individual/2016PL65NG2

Rate Information

Rate data applies to filing.

Filing Method:

Review and Approve

Rate Change Type:

Neutral

Overall Percentage of Last Rate Revision:

2.100%

Effective Date of Last Rate Revision:

01/01/2015

Filing Method of Last Filing:

Review and Approve

Company Rate Information

Company Name:	Overall % Indicated Change:	Overall % Rate Impact:	Written Premium Change for this Program:	Number of Policy Holders Affected for this Program:	Written Premium for this Program:	Maximum % Change (where req'd):	Minimum % Change (where req'd):
Blue Cross & Blue Shield of Rhode Island	5.900%	5.900%	\$2,413,734	17,689	\$43,123,216	26.400%	3.200%

SERFF Tracking #:

BCBS-130394098

State Tracking #:**Company Tracking #:**

2016PL65NG2

State:

Rhode Island

Filing Company:

Blue Cross & Blue Shield of Rhode Island

TOI/Sub-TOI:

MS09 Medicare Supplement - Other 2010/MS09.000 Medicare Supplement Other 2010

Product Name:

Plan 65 - Individual

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April 2016 PL65 Individual/2016PL65NG2

Rate/Rule Schedule

Item No.	Schedule Item Status	Document Name	Affected Form Numbers (Separated with commas)	Rate Action	Rate Action Information	Attachments
1		Filing Schedules		New		Plan 65 Individual Filing Schedules for Rates Effective April 2016.pdf,
2		Filing Letter		New		2016 non-Group Plan 65 Filing Letter.pdf,
3		Actuarial Summary		New		2016 non-Group Plan 65 Actuarial Summary.pdf,

BLUE CROSS & BLUE SHIELD OF RHODE ISLAND
TOTAL PLAN 65 NON-GROUP

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MONTHLY SUBSCRIPTION RATES EFFECTIVE APRIL 1, 2016

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Schedule 2

**Plan 65 Medigap and Plan 65 Select
Required Monthly Subscription Rates**

Schedule 3

Plan 65 Medigap Monthly Rates For Tobacco Users				
Plan	Tier	Present Rate	Rate Effective	
			4/1/2016	Percent
Medigap Plan A	Discount Rate	\$141.68	\$179.04	26.4%
	Base Rate	\$157.42	\$198.93	26.4%
	Age-in Rate for Ages 65-67	\$102.32	\$129.31	26.4%
	Age-in Rate for Ages 68-70	\$122.79	\$155.16	26.4%
	Age-in Rate for Ages 71-72	\$141.68	\$179.04	26.4%
Medigap Plan B	Base Rate	\$141.34	\$147.56	4.4%
Medigap Plan C	Discount Rate	\$208.98	\$218.18	4.4%
	Base Rate	\$232.20	\$242.42	4.4%
	Year 2 Age-in Rate	\$185.76	\$193.94	4.4%
	Year 3 Age-in Rate	\$208.98	\$218.18	4.4%
Medigap Plan F	Base Rate	\$224.20	\$257.21	14.7%
	Age-in Rate for Ages 65-67	\$145.73	\$167.19	14.7%
	Age-in Rate for Ages 68-70	\$174.88	\$200.63	14.7%
	Age-in Rate for Ages 71-72	\$201.78	\$231.48	14.7%

Plan 65 Select Monthly Rates For Tobacco Users				
Plan	Tier	Present Rate	Rate Effective	
			4/1/2016	Percent
Select Plan B	Base Rate	\$130.50	\$140.29	7.5%
	Transfer Rate	\$158.63	\$170.53	7.5%
Select Plan C	Base Rate	\$166.19	\$178.65	7.5%
	Transfer Rate	\$226.48	\$243.47	7.5%
	Year 2 Age-in Rate	\$132.95	\$142.92	7.5%
	Year 3 Age-in Rate	\$149.57	\$160.79	7.5%
Select Plan F	Base Rate	\$160.47	\$189.57	18.1%
	Transfer Rate	\$218.68	\$258.33	18.1%
	Age-in Rate for Ages 65-67	\$104.30	\$123.22	18.1%
	Age-in Rate for Ages 68-70	\$125.16	\$147.87	18.1%
	Age-in Rate for Ages 71-72	\$144.42	\$170.62	18.1%
Select Plan L	Transfer Rate	\$133.63	\$139.51	4.4%

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Schedule 4

Plan 65 Medigap Monthly Rates For Non-Tobacco Users				
Plan	Tier	Present Rate	Rate Effective	
			4/1/2016	Percent
Medigap Plan A	Discount Rate	\$141.68	\$161.14	13.7%
	Base Rate	\$157.42	\$179.04	13.7%
	Age-in Rate for Ages 65-67	\$102.32	\$116.38	13.7%
	Age-in Rate for Ages 68-70	\$122.79	\$139.64	13.7%
	Age-in Rate for Ages 71-72	\$141.68	\$161.14	13.7%
Medigap Plan B	Base Rate	\$141.34	\$147.56	4.4%
Medigap Plan C	Discount Rate	\$208.98	\$218.18	4.4%
	Base Rate	\$232.20	\$242.42	4.4%
	Year 2 Age-in Rate	\$185.76	\$193.94	4.4%
	Year 3 Age-in Rate	\$208.98	\$218.18	4.4%
Medigap Plan F	Base Rate	\$224.20	\$231.49	3.3%
	Age-in Rate for Ages 65-67	\$145.73	\$150.47	3.3%
	Age-in Rate for Ages 68-70	\$174.88	\$180.57	3.3%
	Age-in Rate for Ages 71-72	\$201.78	\$208.33	3.2%

Plan 65 Select Monthly Rates For Non-Tobacco Users				
Plan	Tier	Present Rate	Rate Effective	
			4/1/2016	Percent
Select Plan B	Base Rate	\$130.50	\$140.29	7.5%
	Transfer Rate	\$158.63	\$170.53	7.5%
Select Plan C	Base Rate	\$166.19	\$178.65	7.5%
	Transfer Rate	\$226.48	\$243.47	7.5%
	Year 2 Age-in Rate	\$132.95	\$142.92	7.5%
	Year 3 Age-in Rate	\$149.57	\$160.79	7.5%
Select Plan F	Base Rate	\$160.47	\$170.61	6.3%
	Transfer Rate	\$218.68	\$232.50	6.3%
	Age-in Rate for Ages 65-67	\$104.30	\$110.90	6.3%
	Age-in Rate for Ages 68-70	\$125.16	\$133.08	6.3%
	Age-in Rate for Ages 71-72	\$144.42	\$153.56	6.3%
Select Plan L	Transfer Rate	\$133.63	\$139.51	4.4%

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Schedule 5

BLUE CROSS & BLUE SHIELD OF RHODE ISLAND
CALCULATION OF PLAN A, PLAN B, PLAN C, AND PLAN F
REQUIRED MONTHLY SUBSCRIPTION RATES
EFFECTIVE APRIL 1, 2016
PLAN 65 MEDIGAP

	<u>Medigap A</u>	<u>Medigap B (F)</u>	<u>Medigap C (F)</u>	<u>Medigap F (G)</u>
Present Rates Effective January 1, 2015				
Discount Rate (A)	\$141.68	N/A	\$208.98	N/A
Base Rate (B)	\$157.42	\$141.34	\$232.20	\$224.20
First Year Age-in Rate (30% discount) (C)	N/A	N/A	\$162.54	N/A
Second Year Age-in Rate (20% discount) (C)	N/A	N/A	\$185.76	N/A
Third Year Age-in Rate (10% discount) (C)	N/A	N/A	\$208.98	N/A
Age-in Rate for Ages 65-67 (E)	\$102.32	N/A	N/A	\$145.73
Age-in Rate for Ages 68-70 (E)	\$122.79	N/A	N/A	\$174.88
Age-in Rate for Ages 71-72 (E)	\$141.68	N/A	N/A	\$201.78
Rate Adjustment Factor (D)	1.150	1.044	1.044	1.044
 Required Rates Effective April 1, 2016				
Discount Rate (A)	\$162.93	N/A	\$218.18	N/A
Base Rate (B)	\$181.03	\$147.56	\$242.42	\$234.06
Second Year Age-in Rate (20% discount) (C)	N/A	N/A	\$193.94	N/A
Third Year Age-in Rate (10% discount) (C)	N/A	N/A	\$218.18	N/A
Age-in Rate for Ages 65-67 (E)	\$117.67	N/A	N/A	\$152.14
Age-in Rate for Ages 68-70 (E)	\$141.20	N/A	N/A	\$182.57
Age-in Rate for Ages 71-72 (E)	\$162.93	N/A	N/A	\$210.65

(A) Point-of-entry rate for subscribers who enrolled during their Medigap open enrollment period before November 1, 1998.

(B) Base Rates are applicable to all new subscribers who enroll after 6 months of first eligibility for Medicare Part B as primary payer or have successfully completed a health screening. The health screening is no longer available to new subscribers.

(C) These rates are not offered to new subscribers. Since all Medigap C subscribers were enrolled prior to January 2015, there are no longer any subscribers eligible for the First Year Age-In rate. The second year Age-in Rate is 80% of the Base Rate. The third year Age-in Rate is 90% of the Base Rate. After the third year, the subscriber pays the Base Rate.

(D) Factors can be found in schedule 8, column 10.

(E) Age-in Rates are applicable to new Plan 65 Medigap subscribers who enroll within six months of becoming eligible for Medicare Part B as primary payer. Age-in Rate for Ages 65-67 is 65% of the Base Rate. Age-in Rate for Ages 68-70 is 78% of the Base Rate. Age-in Rate for Ages 71-72 is 90% of the Base Rate. After age 72, the subscriber pays the Base Rate.

(F) Medigap B and C are closed to new subscribers.

(G) Individuals eligible for Medicare due to disability or End Stage Renal Disease (ESRD) are not eligible to enroll in Medigap Plan F.

Schedule 6
BLUE CROSS & BLUE SHIELD OF RHODE ISLAND
CALCULATION OF PLAN B, PLAN C, PLAN F, AND PLAN L
REQUIRED MONTHLY SUBSCRIPTION RATES
EFFECTIVE APRIL 1, 2016
PLAN 65 SELECT

	<u>Select B (F)</u>	<u>Select C (F)</u>	<u>Select L (F)</u>	<u>Select F (G)</u>
Present Rates Effective January 1, 2015				
Base Rate (A)	\$130.50	\$166.19	N/A	\$160.47
Transfer Rate (B)	\$158.63	\$226.48	\$133.63	\$218.68
First Year Age-in Rate (30% discount) (C)	N/A	\$116.33	N/A	N/A
Second Year Age-in Rate (20% discount) (C)	N/A	\$132.95	N/A	N/A
Third Year Age-in Rate (10% discount) (C)	N/A	\$149.57	N/A	N/A
Age-in Rate for Ages 65-67 (E)	N/A	N/A	N/A	\$104.31
Age-in Rate for Ages 68-70 (E)	N/A	N/A	N/A	\$125.17
Age-in Rate for Ages 71-72 (E)	N/A	N/A	N/A	\$144.42
Required Rate Adjustment Factor (D)	1.075	1.075	1.044	1.075
Required Rates Effective April 1, 2016				
Base Rate (A)	\$140.29	\$178.65	N/A	\$172.51
Transfer Rate (B)	\$170.53	\$243.47	\$139.51	\$235.08
Second Year Age-in Rate (20% discount) (C)	N/A	\$142.92	N/A	N/A
Third Year Age-in Rate (10% discount) (C)	N/A	\$160.79	N/A	N/A
Age-in Rate for Ages 65-67 (E)	N/A	N/A	N/A	\$112.13
Age-in Rate for Ages 68-70 (E)	N/A	N/A	N/A	\$134.56
Age-in Rate for Ages 71-72 (E)	N/A	N/A	N/A	\$155.26

(A) The Base Rate is applicable to subscribers who enroll after 6 months of first eligibility for Medicare Part B as primary payer or have successfully completed a health screening. The health screening is no longer available to new subscribers.

(B) The Transfer Rate is applicable to existing subscribers who switch from another BCBSRI Plan 65 product without completing or successfully passing a health screening. Select B, C and L are closed to new transfers. Select Plan F is closed to existing subscribers switching from another BCBSRI Plan 65 product other than a one-time transfer for existing Medigap Plan F subscribers.

(C) These rates are not offered to new subscribers. Since all Select C subscribers were enrolled prior to January 2015, there are no longer any subscribers eligible for the First Year Age-In rate. The second year Age-in Rate is 80% of the Base Rate. The third year age-in rate is 90% of the Base Rate. After the third year, the subscriber pays the Base Rate.

(D) Factors can be found in schedule 8, column 10.

(E) Age-in Rates are applicable to new Plan 65 Select subscribers who enroll within six months of becoming eligible for Medicare Part B as primary payer. Age-in Rate for Ages 65-67 is 65% of the Base Rate. Age-in Rate for Ages 68-70 is 78% of the Base Rate. Age-in Rate for Ages 71-72 is 90% of the Base Rate. After age 72, the subscriber pays the Base Rate.

(F) Select B, C and L are closed to new subscribers.

(G) Individuals eligible for Medicare due to disability or End Stage Renal Disease (ESRD) are not eligible to enroll in Select Plan F.

Schedule 7

Plan 65 Medigap and Plan 65 Select

Calculation of Required

Rate Adjustment Factors

Schedule 8

**BLUE CROSS & BLUE SHIELD OF RHODE ISLAND
CALCULATION OF REQUIRED MEDIGAP PLANS AND SELECT PLANS
RATE ADJUSTMENT FACTORS EFFECTIVE APRIL 1, 2016 - JUNE 30, 2017
PLAN 65 MEDIGAP AND SELECT**

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
	Projected Member Months	Projected Claims Expense (A)	Administrative Expense (B)	Total Incurred Claims and Administrative Expense (B)	Investment Income Credit (C)	Contribution to Reserve/ Tax (D)	Required Subscription Income (E)	Redistributed Present Weighted Average Subscription Income (F)	Required Rate Adjustment (G)	Selected Rate Adjustment (H)
Medigap Plan A	4,785	\$323.71	\$22.12	\$345.83	(\$1.36)	\$21.99	\$366.46	\$152.00	141.1%	15.0%
Medigap Plan B	881	\$152.66	\$22.12	\$174.78	(\$0.69)	\$11.11	\$185.20	\$136.61	35.6%	4.4%
Medigap Plan C	112,519	\$187.85	\$22.12	\$209.96	(\$0.82)	\$13.35	\$222.49	\$220.91	0.7%	4.4%
Medigap Plan F (I)	11,376	\$180.58	\$22.12	\$202.69	(\$0.79)	\$12.89	\$214.79	\$213.30	0.7%	4.4%
<u>Select Plan L</u>	<u>1,196</u>	<u>\$148.65</u>	<u>\$22.12</u>	<u>\$170.77</u>	<u>(\$0.67)</u>	<u>\$10.85</u>	<u>\$180.95</u>	<u>\$129.16</u>	<u>40.1%</u>	<u>4.4%</u>
Medigap & L	130,758	\$191.59	\$22.12	\$213.71	(\$0.83)	\$13.59	\$226.46	\$216.32	4.7%	4.7%
Select Plan B	533	\$114.95	\$22.12	\$137.06	(\$0.54)	\$8.72	\$145.24	\$136.50	6.4%	7.5%
Select Plan C	119,656	\$147.23	\$22.12	\$169.35	(\$0.66)	\$10.76	\$179.45	\$166.88	7.5%	7.5%
<u>Select Plan F (I)</u>	<u>15,891</u>	<u>\$141.31</u>	<u>\$22.12</u>	<u>\$163.42</u>	<u>(\$0.60)</u>	<u>\$10.39</u>	<u>\$173.22</u>	<u>\$161.14</u>	<u>7.5%</u>	<u>7.5%</u>
Select B, C & F	136,080	\$146.41	\$22.12	\$168.53	(\$0.65)	\$10.71	\$178.59	\$166.09	7.5%	7.5%
Grand Total	266,838	\$168.55	\$22.12	\$190.67	(\$0.74)	\$12.12	\$202.05	\$190.70	5.9%	5.9%

(A) 9 months of projected 2016 rates and 6 months of projected 2017 rates. The formula is 9/15ths multiplied by the CY 2016 rates (shown on Schedules 9 and 11) plus 6/15ths multiplied by the CY 2017 rates (shown on Schedules 10 and 12).

(B) Sum of columns 2 and 3.

(C) Reduction of required subscription income per contract per month due to anticipated return on invested funds, which is 0.37% of premium.

(D) Contribution to Reserve at 4.0% of premium plus 2.0% for state premium assessment, which equates to 6.0% of premium. The premium tax assessment is levied pursuant to section 44-17-1 of the Rhode Island General Laws.

(E) Sum of column 4 through column 6.

(F) The present rate of income calculation shown on schedule 18.

(G) (Column 7 divided by column 8) minus 1.

(H) 15.0% capped rate change selected for Medigap A. 4.4% rate change selected for Medigap B, Medigap C, Medigap F, and Select L Plans to maintain the overall Medigap and Select L rate change of 4.7%. 7.5% rate change for Select B, C, and F to maintain same overall Select B, C, and F rate change of 7.5%

(I) Since the F plans do not have experience in our base period, the rate need for Medigap F and Select F are set equal to the rate need for Medigap C and Select C, respectively. This method will ensure the rates effective April 2016 will have the same "C to F" relativity as the current rates.

Schedule 9

**BLUE CROSS & BLUE SHIELD OF RHODE ISLAND
PROJECTION OF JANUARY THROUGH DECEMBER 2016
INCURRED CLAIMS EXPENSE PER CONTRACT MONTH
FOR MEDIGAP PLANS A, B, AND C AND SELECT PLAN L**

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
	Base Period Claims Expense					Projection Factors		Projected Claims Expense per Contract Month 1/1/16 - 12/31/16			
	Medigap <u>Plan A</u>	Medigap <u>Plan B</u>	Medigap <u>Plan C</u>	Select <u>Plan L</u>	Medigap <u>Plan A, B, C</u>	CY 2015 over <u>CY 2014</u>	CY 2016 over <u>CY 2015</u>	Medigap <u>Plan A</u>	Medigap <u>Plan B</u>	Medigap <u>Plan C</u>	Select <u>Plan L</u>
<u>Plan 65 Benefit</u>											
Part A Deductible		\$19,739	\$2,733,487	\$7,778		1.1191	1.0222		\$27.67	\$30.97	\$6.94
Part A Copay/365 Add'l Days					\$282,330	1.0362	1.0222	\$2.83	\$2.83	\$2.83	\$0.08 (A)
Skilled Nursing Facility Copayment			\$2,601,948	\$22,392		1.0362	1.0222			\$27.29	\$18.50
Part B Deductible			\$1,237,005			1.0000	1.1293			\$13.83	
Coinsurance - Physician	\$480,555	\$59,808	\$7,173,499	\$75,910		1.0352	1.0021	\$130.23	\$76.03	\$73.69	\$61.43
Coinsurance - Outpatient	\$698,101	\$35,647	\$3,698,370	\$69,267		1.0231	1.0119	\$188.80	\$45.23	\$37.92	\$55.94
Select Network: Part A <u>Adjustment (PMPM)</u>				\$4.23		1.1114	1.0222				<u>\$4.81</u>
Grand Total								\$321.86	\$151.76	\$186.53	\$147.69

(A) Assumes 97% of Part A copayment claims are waived based on Select experience.

Schedule 10

BLUE CROSS & BLUE SHIELD OF RHODE ISLAND
PROJECTION OF JANUARY THROUGH DECEMBER 2017
INCURRED CLAIMS EXPENSE PER CONTRACT MONTH
FOR MEDIGAP PLANS A, B, AND C AND SELECT PLAN L

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)		
	Projected						Projected					
	Claims Expense per Contract Month					Projection	Claims Expense per Contract Month					
	1/1/16 - 12/31/16					Factors	1/1/17 - 12/31/17					
	Medigap	Medigap	Medigap	Select	Medigap	CY 2017 over	Medigap	Medigap	Medigap	Select		
	<u>Plan A</u>	<u>Plan B</u>	<u>Plan C</u>	<u>Plan L</u>	<u>Plan A, B, C</u>	<u>CY 2016</u>	<u>Plan A</u>	<u>Plan B</u>	<u>Plan C</u>	<u>Plan L</u>		
<u>Plan 65 Benefit</u>												
Part A Deductible		\$27.67	\$30.97	\$6.94		1.0311		\$28.53	\$31.93	\$7.16		
Part A Copay/365 Add'l Days					\$2.83	1.0311	\$2.92	\$2.92	\$2.92	\$0.09	(A)	
Skilled Nursing Facility Copayment			\$27.29	\$18.50		1.0311			\$28.14	\$19.08		
Part B Deductible			\$13.83			1.0181			\$14.08			
Coinsurance - Physician	\$130.23	\$76.03	\$73.69	\$61.43		1.0046	\$130.83	\$76.38	\$74.03	\$61.71		
Coinsurance - Outpatient	\$188.80	\$45.23	\$37.92	\$55.94		1.0209	\$192.75	\$46.17	\$38.71	\$57.11		
Select Network: Part A				\$4.81		1.0311				<u>\$4.96</u>		
<u>Adjustment (PMPM)</u>												
Grand Total							\$326.49	\$154.01	\$189.82	\$150.09		

(A) Assumes 97% of Part A copayment claims are waived based on Select experience.

Schedule 11

BLUE CROSS & BLUE SHIELD OF RHODE ISLAND
PROJECTION OF JANUARY THROUGH DECEMBER 2016
INCURRED CLAIMS EXPENSE PER CONTRACT MONTH
FOR SELECT PLANS B AND PLAN C
PLAN 65 SELECT

	(1)	(2)	(3)	(4)	(5)	(6)
	Base Period	Projection Factors		Projected		
	Claims Expense			Claims Expense per Contract Month		
	Select	CY 2015 over	CY 2016 over	All	Select	Select
<u>Plan 65 Benefit</u>	<u>Plan B, C</u>	<u>CY 2014</u>	<u>CY 2015</u>	<u>Benefits</u>	<u>Plan B</u>	<u>Plan C</u>
Part A Deductible	\$289,991	1.1191	1.0222	\$3.14	\$3.14	\$3.14
Part A Copay/365 Add'l Days	\$50,749	1.0362	1.0222	\$0.51	\$0.51	\$0.51
Skilled Nursing Facility Copayment	\$1,800,294	1.0362	1.0222	\$18.13	-	\$18.13
Part B Deductible	\$1,288,590	1.0000	1.1293	\$13.83	-	\$13.83
Coinsurance - Physician	\$7,081,446	1.0352	1.0021	\$69.48	\$69.48	\$69.48
Coinsurance - Outpatient	\$3,563,440	1.0231	1.0119	\$34.89	\$34.89	\$34.89
Select Network: Part A	\$5.64	1.1068	1.0222	\$6.38	<u>\$6.38</u>	<u>\$6.38</u>
<u>Adjustment (PMPM)</u>						
Grand Total					\$114.40	\$146.36

Schedule 12

BLUE CROSS & BLUE SHIELD OF RHODE ISLAND
PROJECTION OF JANUARY THROUGH DECEMBER 2017
INCURRED CLAIMS EXPENSE PER CONTRACT MONTH
FOR SELECT PLANS B AND PLAN C
PLAN 65 SELECT

	(1)	(2)	(3)	(4)	(5)
	Projected		Projected		
	1/1/16 - 12/31/16	Projection Factors	Claims Expense per Contract Month		
	Expense per	CY 2017 over	All	Select	Select
	<u>Contract Month</u>	<u>CY 2016</u>	<u>Benefits</u>	<u>Plan B</u>	<u>Plan C</u>
<u>Plan 65 Benefit</u>					
Part A Deductible	\$3.14	1.0311	\$3.24	\$3.24	\$3.24
Part A Copay/365 Add'l Days	\$0.51	1.0311	\$0.53	\$0.53	\$0.53
Skilled Nursing Facility Copayment	\$18.13	1.0311	\$18.69	-	\$18.69
Part B Deductible	\$13.83	1.0181	\$14.08	-	\$14.08
Coinsurance - Physician	\$69.48	1.0046	\$69.80	\$69.80	\$69.80
Coinsurance - Outpatient	\$34.89	1.0209	\$35.62	\$35.62	\$35.62
Select Network: Part A					
<u>Adjustment (PMPM)</u>	\$6.38	1.0311	\$6.58	<u>\$6.58</u>	<u>\$6.58</u>
Grand Total				\$115.77	\$148.54

Schedule 13

**Plan 65 Medigap and Plan 65 Select
Projection Factors**

Schedule 14

BLUE CROSS & BLUE SHIELD OF RHODE ISLAND
PROJECTION FACTORS
CALENDAR YEAR 2015 OVER CALENDAR YEAR 2014

	(1)	(2)	(3)	(4)
	<u>Projection Factors CY 2015 over CY 2014 (A)</u>			
<u>Plan 65 Benefit</u>	<u>Benefit</u> <u>Changes</u>	<u>Provider</u> <u>Fees</u>	<u>Utilization/</u> <u>Mix</u>	<u>Composite</u>
Part A Deductible	1.0362		1.0800	1.1191
Part A Copay/365 Add'l Days	1.0362		1.0000	1.0362
Skilled Nursing Facility Copayment	1.0362		1.0000	1.0362
Part B Deductible	1.0000		1.0000	1.0000
Coinsurance - Physician	1.0000	1.0050	1.0300	1.0352
Coinsurance - Outpatient	1.0000	1.0231	1.0000	1.0231

(A) The price assumptions for the projection of incurred claims expense by benefit have been developed utilizing the latest information published by CMS and actuarial assumptions where final published numbers are not available.

Schedule 15

BLUE CROSS & BLUE SHIELD OF RHODE ISLAND
PROJECTION FACTORS
CALENDAR YEAR 2016 OVER CALENDAR YEAR 2015

	(1)	(2)	(3)	(4)
	<u>Projection Factors CY 2016 over CY 2015 (A)</u>			
<u>Plan 65 Benefit</u>	<u>Benefit</u> <u>Changes</u>	<u>Provider</u> <u>Fees</u>	<u>Utilization/</u> <u>Mix</u>	<u>Composite</u>
Part A Deductible	1.0222		1.0000	1.0222
Part A Copay/365 Add'l Days	1.0222		1.0000	1.0222
Skilled Nursing Facility Copayment	1.0222		1.0000	1.0222
Part B Deductible	1.1293		1.0000	1.1293
Coinsurance - Physician	0.9972	1.0050	1.0000	1.0021
Coinsurance - Outpatient	0.9972	1.0148	1.0000	1.0119

(A) The price assumptions for the projection of incurred claims expense by benefit have been developed utilizing the latest information published by CMS and actuarial assumptions where final published numbers are not available.

Schedule 16

BLUE CROSS & BLUE SHIELD OF RHODE ISLAND
PROJECTION FACTORS
CALENDAR YEAR 2017 OVER CALENDAR YEAR 2016

	(1)	(2)	(3)	(4)
	<u>Projection Factors CY 2017 over CY 2016 (A)</u>			
	<u>Benefit</u>	<u>Provider</u>	<u>Utilization/</u>	
<u>Plan 65 Benefit</u>	<u>Changes</u>	<u>Fees</u>	<u>Mix</u>	<u>Composite</u>
Part A Deductible	1.0311		1.0000	1.0311
Part A Copay/365 Add'l Days	1.0311		1.0000	1.0311
Skilled Nursing Facility Copayment	1.0311		1.0000	1.0311
Part B Deductible	1.0181		1.0000	1.0181
Coinsurance - Physician	0.9996	1.0050	1.0000	1.0046
Coinsurance - Outpatient	0.9996	1.0214	1.0000	1.0209

(A) The price assumptions for the projection of incurred claims expense by benefit have been developed utilizing the latest information published by CMS and actuarial assumptions where final published numbers are not available.

Schedule 17

**Plan 65 Medigap and Plan 65 Select
Supporting Calculations**

Schedule 18

BLUE CROSS & BLUE SHIELD OF RHODE ISLAND
CALCULATION OF INCOME AT PRESENT RATES
CONTRACTS AT DECEMBER 2014
PLAN 65 MEDIGAP AND PLAN 65 SELECT

	(1)	(2)	(3)	(4)	(5)
	<u>December 2014</u>	<u>Present Monthly</u>	<u>Present Monthly</u>	<u>Impact of</u>	<u>Redistributed</u>
	<u>Contracts</u>	<u>Subscription Rates</u>	<u>Subscription Rates</u>	<u>Age-in</u>	<u>Present Monthly</u>
		<u>Effective Jan 2015</u>	<u>w/o Age-in Credit</u>	<u>Credit</u>	<u>Subscription Rate</u>
			(A)	(B)	(C)
Plan 65 Medigap Plan A					
Discount Rate	3	\$141.68	\$141.68		
Base Rate	290	\$157.42	\$157.42		
Year 1 Age-in Rate (D)	3	\$110.19	\$157.42		
Year 2 Age-in Rate (D)	2	\$125.94	\$157.42		
<u>Year 3 Age-in Rate (D)</u>	<u>3</u>	<u>\$141.68</u>	<u>\$157.42</u>		
Total Medigap Plan A	301	\$156.43	\$157.26	1.0346	\$152.00
Plan 65 Medigap Plan B					
	67	\$141.34	\$141.34	1.0346	\$136.61
Plan 65 Medigap Plan C					
Discount Rate	1,310	\$208.98	\$208.98		
Base Rate	6,080	\$232.20	\$232.20		
Year 1 Age-in Rate	403	\$162.54	\$232.20		
Year 2 Age-in Rate	244	\$185.76	\$232.20		
<u>Year 3 Age-in Rate</u>	<u>300</u>	<u>\$208.98</u>	<u>\$232.20</u>		
Total Medigap Plan C	8,337	\$222.99	\$228.55	1.0346	\$220.91
Plan 65 Select Plan B					
Base Rate	26	\$130.50	\$130.50		
<u>Transfer Rate</u>	<u>16</u>	<u>\$158.63</u>	<u>\$158.63</u>		
Total Select Plan B	42	\$141.22	\$141.22	1.0346	\$136.50
Plan 65 Select Plan C					
Base Rate	5,761	\$166.19	\$166.19		
Transfer Rate	961	\$226.48	\$226.48		
Year 1 Age-in Rate	620	\$116.33	\$166.19		
Year 2 Age-in Rate	800	\$132.95	\$166.19		
<u>Year 3 Age-in Rate</u>	<u>833</u>	<u>\$149.57</u>	<u>\$166.19</u>		
Total Select Plan C	8,975	\$164.70	\$172.65	1.0346	\$166.88
Plan 65 Select Plan L					
	99	\$133.63	\$133.63	1.0346	\$129.16
Grand Total Plan 65	17,821	\$191.51	\$198.13	1.0346	\$191.51

(A) Plan 65 present monthly subscription income assuming no age-in credit rates.

(B) Total Plan 65 present monthly subscription income without age-in credit, divided by total Plan 65 present monthly subscription income (column 3 total, divided by column 2 total).

(C) Present monthly subscription rates with impact of age-in credit evenly distributed across plans (column 3, divided by column 4)

(D) The age-in rates reflect the rate structure in effect at December 2014. Thus the age-in rates shown in column 2, for Medigap A are the rates that would have been in effect in 2015 if we had not changed the age-in rate structure in 2015.

The new 2015 age-in rate structure was specifically designed to be equivalent in aggregate for plans A, C, and F; thus this method is reasonable to calculate the age-in credit impact for the proposed rates.

Schedule 19

BLUE CROSS & BLUE SHIELD OF RHODE ISLAND
CALCULATION OF PART A AND PART B DEDUCTIBLES AND BENEFIT FACTORS
PLAN 65 MEDIGAP AND SELECT

Deductibles and Copayments

<u>Effective Date</u>	<u>Part A Deductible</u>	<u>Part A Copayment Days 61 - 90 (C)</u>	<u>Lifetime Reserve Days Copayments Days 91 - 150 (D)</u>	<u>SNF Copayments Days 21 - 100 (E)</u>	<u>Part B Deductible</u>
1. January 1, 2014 (A)	\$1,216	\$304	\$608	\$152.00	\$147
2. January 1, 2015 (A)	\$1,260	\$315	\$630	\$157.50	\$147
3. January 1, 2016 (A)	\$1,288	\$322	\$644	\$161.00	\$166
4. January 1, 2017 (B)	\$1,328	\$332	\$664	\$166.00	\$169

Price Factors

<u>Benefit Factor Effective Date</u>	<u>Part A Deductible</u>	<u>Part A Copayment Days 61 - 90</u>	<u>Lifetime Reserve Days Copayments Days 91 - 150</u>	<u>SNF Copayments Days 21 - 100</u>	<u>Part B Deductible</u>
5. January 1, 2015 (F)	1.0362	1.0362	1.0362	1.0362	1.0000
6. January 1, 2016 (G)	1.0222	1.0222	1.0222	1.0222	1.1293
7. January 1, 2017 (H)	1.0311	1.0311	1.0311	1.0311	1.0181

(A) Actual copayments and deductibles.

(B) Part A Deductible and Part B Deductible estimated in the CMS Trustees Report, released on July 22, 2015. The 2017 estimated Part A deductible was reduced by \$12 to reflect the same difference as between the 2016 estimated and actual Part A deductible.

(C) By law the Part A copayment for days 61 through 90 of an inpatient stay is 1/4 of the Part A deductible per day.

(D) By law the copayment for days 91 through 150 of an inpatient stay is 1/2 of the Part A deductible per day.

(E) By law the copayment for days 21 through 100 of an SNF stay is 1/8 of the Part A deductible per day.

(F) Line 2 divided by line 1.

(G) Line 3 divided by line 2.

(H) Line 4 divided by line 3.

January 11, 2016

Office of the Health Insurance Commissioner
1511 Pontiac Avenue, Bldg. 69-1
Cranston, RI 02920

Subject: Filing of Non-Group Subscription Rates for Medigap Plans A, B, C, and F, and
Medigap Select Plans B, C, F, and L

Dear Commissioner Hittner:

This letter and the enclosed documents comprise a filing by Blue Cross & Blue Shield of Rhode Island ("BCBSRI") of new non-group subscription rates for BCBSRI's Medigap and Medigap Select Plans (also referred to as "Plan 65" and "Plan 65 Select", respectively). The enclosed documents include detailed actuarial schedules and a summary of the actuarial steps and assumptions. These new rates have been calculated using Calendar Year 2014 experience and trend assumptions through June 2017. Rates will be applicable for fifteen months commencing April 1, 2016 and ending June 30, 2017. It is BCBSRI's intention to have subsequent filings be effective from July 1 to June 30.

The current subscription rates were filed on August 22, 2014 and approved by the Office of the Health Insurance Commissioner ("OHIC") on October 6, 2014 to be effective from January 1, 2015 through December 31, 2015. A request to extend these rates through March 31, 2016 was filed on September 2, 2015 and approved by OHIC on September 9, 2015.

As of December 2015, there were 17,689 subscribers enrolled in Plan 65 and Plan 65 Select non-group plans.

Plan 65 Medicare Supplemental Programs

Plan 65 and Plan 65 Select products for non-group subscribers are made available by BCBSRI in accordance with OHIC Regulation 8, as amended effective August 5, 2009. As defined in Regulation 8, non-group Medicare supplemental programs (Medigap and Medigap Select) are designed to supplement, or fill specific gaps in Medicare benefits.

Since January 1, 2015, only Plan A is open to new enrollees that are under the age of 65. Individuals under the age of 65 that are eligible due to disability or End Stage Renal Disease may enroll in Plan A during their initial enrollment period, or during the annual open enrollment period.

Rates for Plan F and Plan F Select are proposed to increase at the same rate of increase as Plan C and Plan C Select, respectively. This is because BCBSRI does not have any

experience in the base period for Plan F and Plan F Select. The present rates were adjusted for benefit and eligibility differences in Plan F and Plan F Select.

Effective April 1, 2016, for plans currently accepting new enrollees, which include Medigap Plan A, Medigap Plan F, and Plan F Select, BCBSRI proposes to implement a 10% premium differential between tobacco users and members who identify as non-tobacco users. Members will be required to self-identify as non-tobacco users to be eligible for the discounted rate. Once a member identifies him or herself as a non-tobacco user, the non-tobacco discount will be applied, beginning with the following month's premium. Members can provide an attestation at any time to begin receiving the discount on the following month's premium. Members that do not self-identify as non-tobacco users will be defaulted into the rate for tobacco users. An assumption that 90% of the population will identify as non-tobacco users was used for pricing purposes.

Also effective April 1, 2016, subscribers who elect to pay via electronic funds transfer (EFT) will receive a \$2.00 discount from their rate.

Required Increases

As in prior filings for non-group Medigap plans, the required subscription rate increases are reflective of projected higher benefit costs primarily arising from factors beyond the control of BCBSRI. These factors include annual increases established by law in the Medicare Part A and Part B deductible and coinsurance amounts and a continued overall increase in the use of benefits by subscribers. These factors are identified fully in the actuarial schedules accompanying this filing and are utilized in the calculation of the projected claims expense.

Consistent with our filings in other markets, a 4.00% contribution to reserve (gross of federal income taxes) is included in the proposed rates.

The overall required rate increase effective April 1, 2016 is 6.0%. Individual plan rate increases are illustrated by the table below:

	Expected Rate Increases				
	Plan A	Plan B	Plan C	Plan F	Plan L
Plan 65 Medigap	15.0%	4.4%	4.4%	4.4%	--
Plan 65 Select	--	7.5%	7.5%	7.5%	4.4%

Medigap Plan A rates continue to be subsidized by Medigap Plan C and Medigap Plan F rates. Medigap Plan A is the only option for members that are under 65 or who enroll outside of normal guarantee issue circumstances. Medigap Plan A has historically received the same increase as Medigap Plan C. However, because of the selection

associated with an open enrollment, and the experience of the under 65 members, BCBSRI believes that it is appropriate to begin pricing Medigap Plan A based on its own experience. The required increase for Medigap Plan A would be about 140% for the coming rate year. BCBSRI is proposing a 15% increase on Plan A to begin to move toward actuarially sound rates for Plan A.

The higher increases for Select plans are driven by changes to Select network agreements effective January 1, 2016. Historically hospital claims expenses for Select plans have been waived by the hospitals in the Select network in exchange for being in the network. Starting January 1, 2016, certain hospitals will only waive a portion of these expenses, and the remaining claims expense will be paid by BCBSRI. There are no changes to the hospitals in the network and members will not see any change in their benefit, however, this change impacts pricing on the Select products.

Expected Loss Ratios

The minimum loss ratio standard of 65% set forth in Regulation 8, as amended, applicable to non-group Medigap coverage, including Medigap Select plans, would be met based on the claims projections and required rates contained in this filing. The projected return to subscribers in the form of aggregate benefits as a percentage of earned premiums for the entire period for which the new rates are computed is displayed in the following table. These expected loss ratios are calculated based on the pricing methodology employed in this rate filing, including the pooling mechanism used to project the claims expense for each product. The rating methodology is described in more detail in the *Actuarial Summary*.

	Expected Loss Ratios				
	Plan A	Plan B	Plan C	Plan F	Plan L
Plan 65 Medigap	185.2%	107.0%	81.5%	81.1%	--
Plan 65 Select	--	78.3%	82.1%	81.6%	110.2%

Actuarial Summary and Schedules

Enclosed with this filing is a summary of the actuarial assumptions and steps, as well as detailed rate calculation schedules. The summary speaks to each of the major areas of the rate calculation process and refers to the corresponding schedules. The detailed schedules mirror what has been submitted to the OHIC for previous filings.

Actuarial Certification

As a member of the American Academy of Actuaries, I confirm that this filing was prepared using generally accepted actuarial principles that were consistently applied. It is my opinion that the proposed premium rates are reasonable in relation to the benefits proposed to be offered and the population anticipated to be covered, and are neither excessive nor deficient. To the best of my knowledge and judgment, this filing is in compliance with applicable laws and regulations.

Filing fee

In compliance with the filing fee requirements contained in Section 42-14-18 of the General Laws of Rhode Island, an electronic funds transfer (EFT) in the amount of \$320.00 payable to "General Treasurer, State of Rhode Island" has been initiated for this submission. The policy forms pertaining to this filing are Plan 65 A (01-16), Plan 65 B (01-16), Plan 65 C (01-16), Plan 65 F (01-16), Plan 65 Select B (01-16), Plan 65 Select C (01-16), Plan 65 Select L (01-16), Plan 65 Select F, and Plan 65 Outline (09-15).

We respectfully ask for your timely approval of this filing as submitted. BCBSRI believes that the required rates are in the interest of both the public and the Corporation.

As always, we shall be pleased to provide any additional information that you and/or the consulting actuary may require.

Sincerely,



Jeffrey McLane, F.S.A., M.A.A.A
Chief Actuary

cc: Ms. Monica Neronha, Esquire

Actuarial Summary
Plan 65 Non-Group Rate Filing
Effective April 1, 2016

➤ **General Methodology**

This actuarial summary describes the processes for calculating the Plan 65 required rates for our Medigap and Medigap Select (Select) plans. References to specific schedules in the rate calculations are underlined.

The required rate per contract per month (PCPM) for every plan consists of two parts: the projected claims expense, or projected pure premium, and the retention components. The projected pure premium is calculated by projecting the claims expense for each benefit into the rating period through the use of projection factors and adding the appropriate benefit components together to get the total projected pure premium for each plan. The retention components encompass the administrative expenses, investment income credit, contribution to corporate reserve, and state taxes. The projected pure premium is added to the retention components to obtain the required rate. Then, the required rate is divided by the present weighted average subscription income to produce the required rate adjustment factor. The present rates within each rate band are multiplied by this factor to derive the required rates for each product. These processes will be described in more detail later in the summary.

The claims base used in this rate filing consists of experience from six products: Medigap Plan A, Medigap Plan B, Medigap Plan C, Select Plan B, Select Plan C, and Select Plan L. Because the enrollment in some of the products is very low, these products are not credible to be priced on their own and are pooled with other products for the purpose of claims projection. Medigap Plan A experience was considered on its own because its eligibility requirements are considerably different from the other plans. Medigap Plan B, Medigap Plan C, and Select Plan L were pooled together. Select Plan B and Select Plan C were pooled together and rated separately based on their combined experience.

The claims base represents calendar year 2014 claims data for all benefits with the exception of the Part A copayment and 365 Additional Days benefits. Due to the erratic nature of these benefits, we have chosen not to project their pure premiums using our standard methodology. The claims base for the Part A Co-payment/365 Additional Days benefits uses an average of the 2010 through 2013 pure premiums for each pool, price projected to calendar year 2014.

➤ **Projected Pure Premium**

The projected pure premiums for all plans are calculated by projecting the claims expense PCPM from the base year 2014 to the April 2016 – June 2017 rating period through the use of composite projection factors. These composite factors reflect changes in benefits, provider fees, and utilization/mix of services from year to year. Benefit change factors can be found in Schedule 19.

Benefit Changes

Benefit changes reflect the change in Medicare deductibles and co-payments for each benefit. In most cases, the benefit change factor is the projection year deductible or co-payment divided by the deductible or co-payment from the previous year. The benefit changes for each benefit are detailed below and in Schedule 19.

- Since the Part A Co-payment/365 Additional Day and Skilled Nursing Facility (SNF) Co-payment are directly proportional to the Part A Deductible, all three benefits will increase at the same rate. Therefore, they share the same benefit change factors. The Part A deductible values for 2014 through 2016 are the actual deductible amounts as published in the Federal Register. The estimated 2017 Part A deductible reflects the 2015 CMS Trustee's Report released July 22, 2015 (Trustee's Report), which estimated the amount to be \$1,340, less the \$12 difference in the 2016 actual deductible and the 2016 estimate shown in the Trustee's Report.
- The Part B deductibles from 2014 through 2016 reflect the actual deductible amounts as published in the Federal Register. The estimated deductible in 2017 reflects the amount in the Trustee's Report.
- The benefit change factor for the Part B co-insurances is the estimated decrease in Part B co-insurance claims cost due to the estimated increase in the Part B deductible. This decrease is attributed to the fact that an increase in the Part B deductible will result in a decrease in the Part B co-insurance, since the co-insurances for Part B services are determined only after the Part B deductible is met. The calculation is shown for each benefit change factor on their respective schedules. These factors are applied to co-insurances for physician and outpatient services.
- Schedules 9 through 12 include PMPM's for the Select Network Part A adjustment. Historically hospital claims expenses for Select plans have been waived by the hospitals in the Select network in exchange for being included in the network. Starting January 1, 2016, certain hospitals will only waive a portion of these expenses, and the remaining claims expense will be paid by BCBSRI. There are no changes to the hospitals in the network and members will not see

any change in their benefit, however, this change impacts pricing on the Select products.

Provider Fees

The provider fees factor represents fee changes in physician services and outpatient services that affect the respective Part B co-insurances.

For the physician services conversion factor, we have utilized 0.5% for 2015, 0.5% for 2016, and 0.5% for 2017.

The estimated provider fee changes effective for Part B outpatient co-insurances beginning 2015, 2016, and 2017 are 2.3%, 1.5%, and 2.1%, respectively.

Utilization/Mix

The utilization/mix trend factor represents the increase in utilization of services from year to year and the changes in the mix of services used. This factor is calculated using trend analysis for each benefit.

Three years of claims experience per contract per month is used to create trend lines. All benefits are converted to their calendar year 2012 price level by dividing out the price factors for each year relative to calendar year 2012. This process is known as “de-pricing,” and it assures that any changes in pure premium from year to year are attributed only to changes in utilization and mix of services.

Trend lines are fit to sets of data points utilizing the method of linear least-squares, which is a statistical technique for quantifying trend levels. Linear least-squares has been used for calculating trends for past rate filings. The principle of least squares states that the line of best fit to a series of observed values is the line where the sum of the squares of the deviations (the deviations between the line and the actual values) are the minimum or “least” possible. While it is possible to subjectively draw a line that best fits the data, this method provides a completely objective way of drawing that line. Following standard Blue Cross procedures, calculations are made to determine the line that best fits the data points with a minimum of the most recent two years of data (the most recent thirteen data points or more). If there does not exist an r-squared value higher than 0.7 with thirteen or more 12-month moving points, or the data is otherwise not conducive to this test, then actuarial judgment is used to select a trend.

The base period used in the filing is calendar year 2014. Additional actual data is provided through September 30, 2015. The selected annual utilization trends consider the additional actual data and are as follows:

- The utilization trend for the Part A deductible is based on the Inpatient Trend. The calculated annual Inpatient Trend is 12.9% with an r-squared value of 0.96 and thirteen 12-month moving points. Incorporating the additional actual data (the trend from CY 2014 to the last point is 8.9%), an 8% trend was selected for the projection of CY 2014 to CY 2015. Because we believe this level of increase is unlikely to continue, zero percent (0.0%) was chosen for trend beyond CY 2015.
- The selected annual utilization/mix trend factor for the Part A co-payment/365 Additional Days is 1.000, representing an assumed zero percent (0.0%) increase in utilization and mix. Due to the erratic nature of the benefit, a selection of no change is reasonable.
- The selected annual utilization trend factor for the Skilled Nursing Facility (SNF) Co-payment is zero percent (0.0%). The calculated annual trend is -12.2% with an r-squared value of 0.85 and thirteen 12-month moving points. Due to the nature of the SNF benefit, extra time is needed for claims to complete and the data are subject to additional volatility. Determining the trend at 0.0% is a more reasonable expectation for the near future.
- The annual utilization/mix trend factor for the Part B deductible is 1.000; representing an assumed zero percent change in utilization and mix. Actuarial judgment is warranted by the cyclical nature of this benefit. The Part B deductible is relatively small and usually met in the beginning of the year by most subscribers, resulting in a non-linear payment pattern.
- The annual utilization/mix trend factor for the Part B physician co-insurance is based on the Surgical/Medical trend. The calculated annual trend is 3.7% based on thirteen 12-month moving points, with an r-squared of 0.93. Incorporating the additional actual data (the trend from CY 2014 to the last point is 2.8%), a 3% trend was chosen for the projection of CY 2014 to CY 2015. We do not expect physician costs to continue to increase and have chosen a trend factor of zero percent (0.0%) for trend beyond CY 2015.
- The annual utilization/mix trend factor for the Part B outpatient co-insurance is based on the Outpatient trend. The calculated annual trend is 1.6% with an r-squared value of 0.72 and twenty-four 12-month moving points. Actuarial judgment warrants a more moderate trend of zero percent (0.0%), which is consistent with the later points.

The benefit change, provider fee, and utilization/mix factors are multiplied together to get the composite projection factor. The composite projection factor represents the overall increase in the pure premium for each benefit from year to year, as shown on Schedules 14, 15 and 16.

The pure premium for each benefit has been projected and aggregated to obtain the total projected pure premium for each benefit plan for calendar years 2016 and 2017; then weighted by the number of months in the projected rate period (9 months in 2016 and 6 months in 2017).

➤ **Retention**

The retention component of the required rate is made up of four parts; the administrative expenses, investment income credit, contribution to reserve, and state tax.

The administrative expenses represent our expected costs for administering the Plan 65 non-group products during the rate period. The administrative expense for calendar year 2016 is \$21.94 PCPM. The 2016 Plan 65 budget was developed by utilizing the 2015 actual cost allocation ratios applied against a projected corporate budget. Areas that are impacted by enrollment were adjusted to reflect the gains/losses in the market place. In addition, areas that are corporate in nature were adjusted to reflect the corporate outlook (i.e. cost reduction strategies, strategic projects, etc). The budget was also compared by natural account (personal service cost, equipment, consulting, etc.) to prior year actual experience and some adjustments were made based on observed trends. A 2% trend was applied to the 2016 administrative expense to obtain the 2017 administrative expense of \$22.38. These amounts were weighted by the number of months in the rate period ($9/15 \times 21.94 + 6/15 \times 22.38$) to obtain the \$22.12 PCPM for the rate period.

The investment income credit component represents the reduction of the required subscription income PCPM due to the anticipated return on invested funds. This credit is calculated by looking at the contingency reserves, prepaid subscriptions, and claim reserves and is applied as a percentage of premium. This percentage is calculated to be 0.37%.

The contribution to reserve/tax factor of 6.0% accounts for the state premium tax and a reserve contribution. The state premium tax is currently 2.0%, per R.I. General Laws § 44-17-1. The reserve component is 4.0%, which includes the federal taxes on the reserve.

The administrative expenses, investment income, contribution to reserve, and state tax components constitute the retention portion of the required rate.

➤ **Required Rate Adjustment Factor**

The projected pure premium plus the retention portions yield the required rates. The required rate adjustment factor for a given plan is calculated as the required subscription income divided by the present weighted average subscription income.

The present rate of income (PRI) for each plan is calculated first by dividing the total Plan 65 PRI without age-in credit by the total Plan 65 PRI with age-in credit. This divisional factor is then applied to the PRI without age-in credit for each plan to yield the

PRI used for rating purposes. This process ensures an equitable distribution of age-in credit savings for rating purposes. This calculation can be found on Schedule 18. It is important to note that this process does not change the overall required rate increase, but simply distributes the impact of the existing age-in discounts evenly across all plans.

After calculating the PRI, the required rate is divided by the PRI yielding the rate adjustment factor for each plan. The rate adjustment factor represents the required increase to the present rates.

Based solely on its own experience, Medigap Plan A requires a 140% increase. To mitigate the impact of aligning the plan's experience with its rate, the increase was adjusted to 15%. In order to achieve the required rate increase of 4.7% overall, the increases for Medigap Plan B, Medigap Plan C, and Select Plan L were adjusted to 4.4%. The required increase for the Select Plan B/Select Plan C pool is 7.5%, which was applied equally to both products. This redistribution of required premium is shown on Schedule 8.

The rate adjustment factor is then multiplied by the present monthly subscription rates in each plan to derive the required monthly subscription rates.

Effective April 1, 2016, for plans currently accepting new enrollees, which include Medigap Plan A, Medigap Plan F, and Select Plan F, BCBSRI proposes to implement a 10% premium differential between tobacco users and members who identify as non-tobacco users. Members will be required to self-identify as non-tobacco users to be eligible for the discounted rate. Once a member provides an attestation that identifies him or her as a non-tobacco user, the non-tobacco discount will be applied, beginning with the following month's premium. Members can send an attestation at any time to begin receiving the discount on the following month's premium. Members that do not self-identify as non-tobacco users will be defaulted into the rate for tobacco users. An assumption that 90% of the population will identify as non-tobacco users was used for pricing purposes.

Also effective April 1, 2016, subscribers who elect to pay via electronic funds transfer (EFT) will receive a \$2.00 discount from their rate. The proposed rate increase does not include any adjustment for the EFT discount.

➤ **Conclusion**

In conclusion, the pure premium and retention portions of each Medigap and Select plan comprise the total rate for this year's rate filing. The pure premium is projected from calendar year 2014 to the April 2016 - June 2017 rating period using factors accounting for benefit changes, provider fees, and utilization/mix. The retention components encompass our expected administrative expenses, investment income credit, reserve contribution and tax liability. The sum of these components yields the required

subscription income. The required subscription income divided by the adjusted present rate of income yields the required rate adjustment factor for each plan.

State: Rhode Island **Filing Company:** Blue Cross & Blue Shield of Rhode Island
TOI/Sub-TOI: MS09 Medicare Supplement - Other 2010/MS09.000 Medicare Supplement Other 2010
Product Name: Plan 65 - Individual
Project Name/Number: April 2016 PL65 Individual/2016PL65NG2

Supporting Document Schedules

Bypassed - Item:	Actuarial Certification - Life & A&H
Bypass Reason:	See Rate/Rule Schedules for supporting documentation
Attachment(s):	
Item Status:	
Status Date:	

Bypassed - Item:	Actuarial Memorandum - A&H Rate Revision Filing
Bypass Reason:	See Rate/Rule Schedules for supporting documentation
Attachment(s):	
Item Status:	
Status Date:	

Bypassed - Item:	A&H Experience
Bypass Reason:	See Rate/Rule Schedules for supporting documentation
Attachment(s):	
Item Status:	
Status Date:	

Bypassed - Item:	Premium Rate Sheets - Life & A&H
Bypass Reason:	See Rate/Rule Schedules for supporting documentation
Attachment(s):	
Item Status:	
Status Date:	