

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: July 2017 PL65 Individual/2017PL65NG

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: 01/31/2017
SERFF Tr Num: BCBS-130851387
SERFF Status: Assigned
State Tr Num:
State Status: Open-Pending Actuary Review
Co Tr Num: 2017PL65NG

Implementation: 07/01/2017
Date Requested:
Author(s): Jessie Knowles, Sean Neylon, Konrad Lech
Reviewer(s): Linda Johnson (primary), Charles DeWeese, Maria Casale
Disposition Date:
Disposition Status:
Implementation Date:

State Filing Description:

State: Rhode Island **Filing Company:** Blue Cross & Blue Shield of Rhode Island
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General Information

Project Name: July 2017 PL65 Individual	Status of Filing in Domicile: Not Filed
Project Number: 2017PL65NG	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: 5.4%	Filing Status Changed: 02/01/2017
	State Status Changed: 02/06/2017
Deemer Date:	Created By: Jessie Knowles
Submitted By: Jessie Knowles	Corresponding Filing Tracking Number: BCBS-130213938

Filing Description:

Filing revised rates for individual Plan 65 Medigap and Select, effective 7/1/2017 through 6/30/2018.

Company and Contact

Filing Contact Information

Jessie Knowles, Actuarial Analyst	Jessie.Knowles@BCBSRI.ORG
500 Exchange Street	401-459-1000 [Phone] 5382 [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:	\$200.00
Retaliatory?	No
Fee Explanation:	\$25 per revised rate policy, multiplied by 8 policies
Per Company:	Yes

Company	Amount	Date Processed	Transaction #
Blue Cross & Blue Shield of Rhode Island	\$200.00	01/31/2017	119496677

SERFF Tracking #:

BCBS-130851387

State Tracking #:

Company Tracking #:

2017PL65NG

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:

July 2017 PL65 Individual/2017PL65NG

Rate Information

Rate data applies to filing.

Filing Method:

Review and Approve

Rate Change Type:

Increase

Overall Percentage of Last Rate Revision:

5.400%

Effective Date of Last Rate Revision:

05/01/2016

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	5.400%	5.400%	\$2,299,590	17,684	\$44,835,951	18.000%	0.000%

SERFF Tracking #:

BCBS-130851387

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

2017PL65NG

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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July 2017 PL65 Individual/2017PL65NG

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		Filing Spreadsheets.pdf,
2		Filing Letter		New		Filing Letter.pdf,
3		Actuarial Summary		New		Actuarial Summary.pdf,

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

TABLE OF CONTENTS FOR SCHEDULES
DISPLAYING AND SUPPORTING CALCULATIONS OF REQUIRED
MONTHLY SUBSCRIPTION RATES EFFECTIVE JULY 1, 2017

	<u>Schedule</u>
Section: Plan 65 Medigap and Plan 65 Select: Required Monthly Subscription Rates	2
Tobacco (Default) Rates effective July 1, 2017 - June 30, 2018	3
Non-Tobacco Rates effective July 1, 2017 - June 30, 2018	4
Calculation Of Plan A, Plan B, Plan C, And Plan F Required Monthly Subscription Rates Effective July 1, 2017: Plan 65 Medigap	5
Calculation Of Plan B, Plan C, Plan F, And Plan L Required Monthly Subscription Rates Effective July 1, 2017: Plan 65 Select	6
Section: Plan 65 Medigap and Plan 65 Select: Calculation of Required Rate Adjustment Factors	7
Calculation Of Required Medigap Plans And Select Plans Rate Adjustment Factors Effective July 1, 2017 - June 30, 2018	8
Projection Of January Through December 2017 Incurred Claims Expense Per Contract Month For Medigap Plans A, B, C, And F And Select Plan L	9
Projection Of January Through December 2018 Incurred Claims Expense Per Contract Month For Medigap Plans A, B, C, And F And Select Plan L	10
Projection Of January Through December 2017 Incurred Claims Expense Per Contract Month For Select Plans B, C, And F	11
Projection Of January Through December 2018 Incurred Claims Expense Per Contract Month For Select Plans B, C, And F	12
Section: Plan 65 Medigap and Plan 65 Select: Projection Factors	13
Projection Factors Calendar Year 2016 Over Calendar Year 2015	14
Projection Factors Calendar Year 2017 Over Calendar Year 2016	15
Projection Factors Calendar Year 2018 Over Calendar Year 2017	16
Section: Plan 65 Medigap and Plan 65 Select: Supporting Calculations	17
Calculation Of Income At Present Rates Contracts At December 2015: Plan 65 Medigap And Plan 65 Select	18
Calculation Of Part A And Part B Deductibles And Benefit Factors : Plan 65 Medigap And Select	19

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 7/1/2017	Percent Increase
Medigap Plan A <i>(enrolled prior to May 1, 2016)</i>	Discount Rate	\$154.43	\$182.23	18.0%
	Base Rate	\$171.59	\$202.48	18.0%
	Age-in Rate for Ages 65-67	\$111.53	\$131.61	18.0%
	Age-in Rate for Ages 68-70	\$133.84	\$157.93	18.0%
	Age-in Rate for Ages 71-72	\$154.43	\$182.23	18.0%
Medigap Plan A <i>(enrolled on or after May 1, 2016)</i>	Discount Rate	\$169.70	\$200.25	18.0%
	Base Rate	\$188.56	\$222.51	18.0%
	Age-in Rate for Ages 65-67	\$122.56	\$144.63	18.0%
	Age-in Rate for Ages 68-70	\$147.08	\$173.55	18.0%
	Age-in Rate for Ages 71-72	\$169.70	\$200.25	18.0%
Medigap Plan B	Base Rate	\$146.99	\$153.90	4.7%
Medigap Plan C	Discount Rate	\$217.34	\$227.56	4.7%
	Base Rate	\$241.49	\$252.84	4.7%
	Year 3 Age-in Rate	\$217.34	\$227.56	4.7%
Medigap Plan F <i>(enrolled prior to May 1, 2016)</i>	Base Rate	\$233.17	\$244.13	4.7%
	Age-in Rate for Ages 65-67	\$151.56	\$158.68	4.7%
	Age-in Rate for Ages 68-70	\$181.87	\$190.42	4.7%
	Age-in Rate for Ages 71-72	\$209.85	\$219.72	4.7%
Medigap Plan F <i>(enrolled on or after May 1, 2016)</i>	Base Rate	\$256.23	\$268.27	4.7%
	Age-in Rate for Ages 65-67	\$166.55	\$174.37	4.7%
	Age-in Rate for Ages 68-70	\$199.86	\$209.25	4.7%
	Age-in Rate for Ages 71-72	\$230.60	\$241.45	4.7%

Plan 65 Select Monthly Rates For Tobacco Users				
Plan	Tier	Present Rate	Rate Effective 7/1/2017	Percent Increase
Select Plan B	Base Rate	\$139.64	\$148.81	6.6%
	Transfer Rate	\$169.73	\$180.88	6.6%
Select Plan C	Base Rate	\$177.82	\$189.50	6.6%
	Transfer Rate	\$242.33	\$242.33	0.0%
	Year 3 Age-in Rate	\$160.04	\$170.55	6.6%
Select Plan F <i>(enrolled prior to May 1, 2016)</i>	Base Rate	\$171.70	\$182.98	6.6%
	Transfer Rate	\$233.99	\$233.99	0.0%
	Age-in Rate for Ages 65-67	\$111.61	\$118.94	6.6%
	Age-in Rate for Ages 68-70	\$133.93	\$142.72	6.6%
	Age-in Rate for Ages 71-72	\$154.53	\$164.68	6.6%
Select Plan F <i>(enrolled on or after May 1, 2016)</i>	Base Rate	\$188.68	\$201.08	6.6%
	Transfer Rate	\$257.13	\$257.13	0.0%
	Age-in Rate for Ages 65-67	\$122.65	\$130.70	6.6%
	Age-in Rate for Ages 68-70	\$147.18	\$156.84	6.6%
	Age-in Rate for Ages 71-72	\$169.81	\$180.97	6.6%
Select Plan L	Transfer Rate	\$138.98	\$145.51	4.7%

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Schedule 4

Plan 65 Medigap Monthly Rates For Non-Tobacco Users				
Plan	Tier	Present Rate	Rate Effective 7/1/2017	Percent Increase
Medigap Plan A <i>(enrolled prior to May 1, 2016)</i>	Discount Rate	\$154.43	\$182.23	18.0%
	Base Rate	\$171.59	\$202.48	18.0%
	Age-in Rate for Ages 65-67	\$111.53	\$131.61	18.0%
	Age-in Rate for Ages 68-70	\$133.84	\$157.93	18.0%
	Age-in Rate for Ages 71-72	\$154.43	\$182.23	18.0%
Medigap Plan A <i>(enrolled on or after May 1, 2016)</i>	Discount Rate	\$152.73	\$180.23	18.0%
	Base Rate	\$169.70	\$200.26	18.0%
	Age-in Rate for Ages 65-67	\$110.30	\$130.17	18.0%
	Age-in Rate for Ages 68-70	\$132.37	\$156.20	18.0%
	Age-in Rate for Ages 71-72	\$152.73	\$180.23	18.0%
Medigap Plan B	Base Rate	\$146.99	\$153.90	4.7%
Medigap Plan C	Discount Rate	\$217.34	\$227.56	4.7%
	Base Rate	\$241.49	\$252.84	4.7%
	Year 3 Age-in Rate	\$217.34	\$227.56	4.7%
Medigap Plan F <i>(enrolled prior to May 1, 2016)</i>	Base Rate	\$233.17	\$244.13	4.7%
	Age-in Rate for Ages 65-67	\$151.56	\$158.68	4.7%
	Age-in Rate for Ages 68-70	\$181.87	\$190.42	4.7%
	Age-in Rate for Ages 71-72	\$209.85	\$219.72	4.7%
Medigap Plan F <i>(enrolled on or after May 1, 2016)</i>	Base Rate	\$230.61	\$241.44	4.7%
	Age-in Rate for Ages 65-67	\$149.90	\$156.93	4.7%
	Age-in Rate for Ages 68-70	\$179.87	\$188.33	4.7%
	Age-in Rate for Ages 71-72	\$207.54	\$217.31	4.7%

Plan 65 Select Monthly Rates For Non-Tobacco Users				
Plan	Tier	Present Rate	Rate Effective 7/1/2017	Percent Increase
Select Plan B	Base Rate	\$139.64	\$148.81	6.6%
	Transfer Rate	\$169.73	\$180.88	6.6%
Select Plan C	Base Rate	\$177.82	\$189.50	6.6%
	Transfer Rate	\$242.33	\$242.33	0.0%
	Year 3 Age-in Rate	\$160.04	\$170.55	6.6%
Select Plan F <i>(enrolled prior to May 1, 2016)</i>	Base Rate	\$171.70	\$182.98	6.6%
	Transfer Rate	\$233.99	\$233.99	0.0%
	Age-in Rate for Ages 65-67	\$111.61	\$118.94	6.6%
	Age-in Rate for Ages 68-70	\$133.93	\$142.72	6.6%
	Age-in Rate for Ages 71-72	\$154.53	\$164.68	6.6%
Select Plan F <i>(enrolled on or after May 1, 2016)</i>	Base Rate	\$169.81	\$180.97	6.6%
	Transfer Rate	\$231.42	\$231.42	0.0%
	Age-in Rate for Ages 65-67	\$110.39	\$117.63	6.6%
	Age-in Rate for Ages 68-70	\$132.46	\$141.16	6.6%
	Age-in Rate for Ages 71-72	\$152.83	\$162.87	6.6%
Select Plan L	Transfer Rate	\$138.98	\$145.51	4.7%

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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 JULY 1, 2017
PLAN 65 MEDIGAP

	<u>Medigap A</u>	<u>Medigap B</u>	<u>Medigap C</u>	<u>Medigap F</u>
		(Closed)	(Closed)	(E)
Present Rates Effective May 1, 2016				
Discount Rate (A)	\$154.43	N/A	\$217.34	N/A
Base Rate	\$171.59	\$146.99	\$241.49	\$233.17
Third Year Age-in Rate (10% discount) (B)	N/A	N/A	\$217.34	N/A
Age-in Rate for Ages 65-67 (C)	\$111.53	N/A	N/A	\$151.56
Age-in Rate for Ages 68-70 (C)	\$133.84	N/A	N/A	\$181.87
Age-in Rate for Ages 71-72 (C)	\$154.43	N/A	N/A	\$209.85
Rate Adjustment Factor (D)	1.180	1.047	1.047	1.047
Required Rates Effective July 1, 2017				
Discount Rate (A)	\$182.23	N/A	\$227.56	N/A
Base Rate	\$202.48	\$153.90	\$252.84	\$244.13
Third Year Age-in Rate (10% discount) (B)	N/A	N/A	\$227.56	N/A
Age-in Rate for Ages 65-67 (C)	\$131.61	N/A	N/A	\$158.68
Age-in Rate for Ages 68-70 (C)	\$157.93	N/A	N/A	\$190.42
Age-in Rate for Ages 71-72 (C)	\$182.23	N/A	N/A	\$219.72

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

(B) 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 or Second Year Age-In rates. The third year Age-in Rate is 90% of the Base Rate. After the third year, the subscriber pays the Base Rate.

(C) 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.

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

(E) 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 JULY 1, 2017
PLAN 65 SELECT

	<u>Select B</u> (Closed)	<u>Select C</u> (Closed)	<u>Select F</u> (E)	<u>Select L</u> (Closed)
Present Rates Effective May 1, 2016				
Base Rate	\$139.64	\$177.82	\$171.70	N/A
Transfer Rate (A)	\$169.73	\$242.33	\$233.99	\$138.98
Third Year Age-in Rate (10% discount) (B)	N/A	\$160.04	N/A	N/A
Age-in Rate for Ages 65-67 (C)	N/A	N/A	\$111.61	N/A
Age-in Rate for Ages 68-70 (C)	N/A	N/A	\$133.93	N/A
Age-in Rate for Ages 71-72 (C)	N/A	N/A	\$154.53	N/A
Required Rate Adjustment Factor (D)	1.066	1.066	1.066	1.047
<i>No Rate Change for C & F Transfers</i>		<i>1.000</i>	<i>1.000</i>	
Required Rates Effective July 1, 2017				
Base Rate	\$148.81	\$189.50	\$182.98	N/A
Transfer Rate (A)	\$180.88	\$242.33	\$233.99	\$145.51
Third Year Age-in Rate (10% discount) (B)	N/A	\$170.55	N/A	N/A
Age-in Rate for Ages 65-67 (C)	N/A	N/A	\$118.94	N/A
Age-in Rate for Ages 68-70 (C)	N/A	N/A	\$142.72	N/A
Age-in Rate for Ages 71-72 (C)	N/A	N/A	\$164.68	N/A

(A) 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.

(B) 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 or Second Year Age-In rates. The third year age-in rate is 90% of the Base Rate. After the third year, the subscriber pays the Base Rate.

(C) 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.

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

(E) 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 JULY 1, 2017 - JUNE 30, 2018
PLAN 65 MEDIGAP AND SELECT**

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
	Member	Projected	Administrative	Total	Investment	Contribution	Required	Redistributed	Required	Selected
	Months	Claims	Expense	Claims and	Income	to Reserve/	Subscription	Present	Rate	Rate
	(A)	(B)	(C)	Administrative	Credit	Tax	Income	Weighted	Adjustment	Adjustment
				Expense	(D)	(E)	(F)	Average	(H)	(I)
				(C)				Subscription		
				Income				Income		
Medigap Plan A	4,600	\$342.46	\$24.35	\$366.81	(\$1.44)	\$23.33	\$388.70	\$165.73	134.5%	18.0%
Medigap Plan B	762	\$155.99	\$24.35	\$180.34	(\$0.71)	\$11.47	\$191.10	\$142.07	34.5%	4.7%
Medigap Plan C	94,191	\$192.66	\$24.35	\$217.01	(\$0.85)	\$13.80	\$229.96	\$229.76	0.1%	4.7%
Medigap Plan F	3,758	\$192.66	\$24.35	\$217.01	(\$0.85)	\$13.80	\$229.96	\$225.37	2.0%	4.7%
<u>Select Plan L</u>	<u>1,052</u>	<u>\$125.39</u>	<u>\$24.35</u>	<u>\$149.74</u>	<u>(\$0.59)</u>	<u>\$9.52</u>	<u>\$158.67</u>	<u>\$134.33</u>	<u>18.1%</u>	<u>4.7%</u>
Medigap & Select L	104,363	\$198.32	\$24.35	\$222.67	(\$0.87)	\$14.16	\$235.95	\$225.18	4.8%	5.1%
Select Plan B	486	\$122.25	\$24.35	\$146.60	(\$0.57)	\$9.32	\$155.34	\$144.92	7.2%	6.6%
Select Plan C: Non-Transfer	91,607	\$153.55	\$24.35	\$177.90	(\$0.70)	\$11.31	\$188.51	\$171.87	9.7%	6.6%
Select Plan C: Transfer	10,219	\$153.55	\$24.35	\$177.90	(\$0.70)	\$11.31	\$188.51	\$234.23	-19.5%	0.0%
<u>Select Plan F</u>	<u>4,987</u>	<u>\$153.55</u>	<u>\$24.35</u>	<u>\$177.90</u>	<u>(\$0.70)</u>	<u>\$11.31</u>	<u>\$188.51</u>	<u>\$165.96</u>	<u>13.6%</u>	<u>6.6%</u>
Select B, C & F	107,299	\$153.41	\$24.35	\$177.76	(\$0.70)	\$11.30	\$188.36	\$177.41	6.2%	5.7%
Grand Total	211,662	\$175.55	\$24.35	\$199.90	(\$0.78)	\$12.71	\$211.83	\$200.96	5.4%	5.4%

(A) These are base period member months. Medigap A is the only plan open to new members under age 65 (typically high cost members), but the other plans have existing members under age 65 in the base period. For this reason, and that the other plans are rated on a pooled basis, base period member months are a better representation of the overall required rate. Using projected member months would increase the rate need artificially.

(B) 6 months of projected 2017 rates and 6 months of projected 2018 rates. The formula is 6/12ths multiplied by the CY 2017 rates (shown on Schedules 9 and 11) plus 6/12ths multiplied by the CY 2018 rates (shown on Schedules 10 and 12).

(C) Sum of columns 2 and 3.

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

(E) 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.

(F) Sum of column 4 through column 6.

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

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

(I) 18.0% capped rate change selected for Medigap A. 0.0% rate change selected for Select C Transfers. The remaining rate adjustments were selected to maintain consistency among products and maintain the overall rate need of 5.4%.

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Additioa

Subs

Sub:

Schedule 9

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

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
							Projected			
							Claims Expense per Contract Month			
							1/1/17 - 12/31/17			
	Base Period Claims Expense		Projection Factors		All	Medigap	Medigap	Medigap	Medigap	Select
	Medigap	Medigap Plans	CY 2016 over	CY 2017 over	Benefits	Medigap	Medigap	Medigap	Medigap	Select
<u>Plan 65 Benefit</u>	<u>Plan A</u>	<u>B, C, F & Select L</u>	<u>CY 2015</u>	<u>CY 2016</u>		<u>Plan A</u>	<u>Plan B</u>	<u>Plan C</u>	<u>Plan F</u>	<u>Plan L</u>
Part A Deductible		\$2,758,211	0.9946	1.0217	\$28.39		\$28.39	\$28.39	\$28.39	\$5.95 (A)
Part A Copay/365 Add'l Days (B)		\$461,161	1.0222	1.0217	\$4.66	\$4.66	\$4.66	\$4.66	\$4.66	\$0.14 (C)
Skilled Nursing Facility Copayment		\$2,311,086	0.9036	1.0013	\$21.35			\$21.35	\$21.35	\$16.82 (D)
Part B Deductible		\$1,199,875	1.1293	1.1024	\$15.25			\$15.25	\$15.25	
Coinsurance - Physician	\$611,400	\$7,257,362	1.0252	1.0316	\$76.94	\$140.57	\$76.94	\$76.94	\$76.94	\$60.63 (D)
Coinsurance - Outpatient	\$782,337	\$3,853,470	1.0717	1.0428	\$43.17	\$190.07	\$43.17	\$43.17	\$43.17	\$34.02 (D)
Select Network: Part A Adjustment (PMPM)		\$5.47	0.9986	1.0217	\$5.58					\$4.40 (D)
Grand Total						\$335.30	\$153.16	\$189.76	\$189.76	\$121.96

(A) Select L Part A Deductible is calculated as 35.4% of Select L SNF Copayment. This percentage is based on Select L base period claims.

(B) Medigap A is included and Select L is excluded from the Part A Copay/365 Add'l Days Base Period Claims Expense.

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

(D) Select L claims are 78.8% of Medigap claims to account for 75% coverage as well as the out of pocket maximum. This percentage is based on Select L base period paid to allowed claims ratio.

Schedule 10

BLUE CROSS & BLUE SHIELD OF RHODE ISLAND
PROJECTION OF JANUARY THROUGH DECEMBER 2018
INCURRED CLAIMS EXPENSE PER CONTRACT MONTH
FOR MEDIGAP PLANS A, B, C, AND F AND SELECT PLAN L

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	Projected Claims Expense per Contract Month 1/1/17 - 12/31/17		Projection Factors	Projected Claims Expense per Contract Month 1/1/18 - 12/31/18					
	Medigap <u>Plan A</u>	All Other <u>Benefits</u>	CY 2018 over <u>CY 2017</u>	All <u>Benefits</u>	Medigap <u>Plan A</u>	Medigap <u>Plan B</u>	Medigap <u>Plan C</u>	Medigap <u>Plan F</u>	Select <u>Plan L</u>
<u>Plan 65 Benefit</u>									
Part A Deductible		\$28.39	1.0274	\$29.17		\$29.17	\$29.17	\$29.17	\$7.60 (A)
Part A Copay/365 Add'l Days	\$4.66	\$4.66	1.0274	\$4.79	\$4.79	\$4.79	\$4.79	\$4.79	\$0.14 (B)
Skilled Nursing Facility Copayment		\$21.35	1.0068	\$21.49			\$21.49	\$21.49	\$16.94 (C)
Part B Deductible		\$15.25	1.0000	\$15.25			\$15.25	\$15.25	
Coinsurance - Physician	\$140.57	\$76.94	1.0341	\$79.56	\$145.36	\$79.56	\$79.56	\$79.56	\$62.70 (C)
Coinsurance - Outpatient	\$190.07	\$43.17	1.0495	\$45.30	\$199.48	\$45.30	\$45.30	\$45.30	\$35.70 (C)
Select Network: Part A <u>Adjustment (PMPM)</u>		\$5.58	1.0274	\$5.73					<u>\$5.73</u>
Grand Total					\$349.63	\$158.83	\$195.57	\$195.57	\$128.82

(A) Select L Part A Deductible is calculated as 35.4% of Select L SNF Copayment. This percentage is based on Select L base period claims.

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

(C) Select L claims are 78.8% of Medigap claims to account for 75% coverage as well as the out of pocket maximum. This percentage is based on Select L base period paid to allowed claims ratio.

Schedule 11

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

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
					Projected		
	Base Period	Projection Factors		Claims Expense per Contract Month			
	Claims Expense			1/1/17 - 12/31/17			
	Select	CY 2016 over	CY 2017 over	All	Select	Select	Select
<u>Plan 65 Benefit</u>	<u>Plans B, C, F</u>	<u>CY 2015</u>	<u>CY 2016</u>	<u>Benefits</u>	<u>Plan B</u>	<u>Plan C</u>	<u>Plan F</u>
Part A Deductible	\$220,010	0.9946	1.0217	\$2.08	\$2.08	\$2.08	\$2.08
Part A Copay/365 Add'l Days	\$121,248	1.0222	1.0217	\$1.18	\$1.18	\$1.18	\$1.18
Skilled Nursing Facility Copayment	\$1,973,273	0.9036	1.0013	\$16.71	-	\$16.71	\$16.71
Part B Deductible	\$1,247,369	1.1293	1.1024	\$14.54	-	\$14.54	\$14.54
Coinsurance - Physician	\$7,419,972	1.0252	1.0316	\$73.14	\$73.14	\$73.14	\$73.14
Coinsurance - Outpatient	\$3,641,856	1.0717	1.0428	\$37.93	\$37.93	\$37.93	\$37.93
Select Network: Part A	\$5.47	1.0044	1.0217	\$5.61	<u>\$5.61</u>	<u>\$5.61</u>	<u>\$5.61</u>
<u>Adjustment (PMPM)</u>							
Grand Total					\$119.94	\$151.19	\$151.19

Schedule 12

BLUE CROSS & BLUE SHIELD OF RHODE ISLAND
PROJECTION OF JANUARY THROUGH DECEMBER 2018
INCURRED CLAIMS EXPENSE PER CONTRACT MONTH
FOR SELECT PLANS B, C, AND F
PLAN 65 SELECT

	(1)	(2)	(3)	(4)	(5)	(6)
	Projected		Projected	Claims Expense per Contract Month		
	1/1/17 - 12/31/17	Projection Factors	1/1/18 - 12/31/18			
	Expense per	CY 2018 over	All	Select	Select	Select
	<u>Contract Month</u>	<u>CY 2017</u>	<u>Benefits</u>	<u>Plan B</u>	<u>Plan C</u>	<u>Plan F</u>
<u>Plan 65 Benefit</u>						
Part A Deductible	\$2.08	1.0274	\$2.14	\$2.14	\$2.14	\$2.14
Part A Copay/365 Add'l Days	\$1.18	1.0274	\$1.21	\$1.21	\$1.21	\$1.21
Skilled Nursing Facility Copayment	\$16.71	1.0068	\$16.82	-	\$16.82	\$16.82
Part B Deductible	\$14.54	1.0000	\$14.54	-	\$14.54	\$14.54
Coinsurance - Physician	\$73.14	1.0341	\$75.63	\$75.63	\$75.63	\$75.63
Coinsurance - Outpatient	\$37.93	1.0495	\$39.81	\$39.81	\$39.81	\$39.81
Select Network: Part A						
<u>Adjustment (PMPM)</u>	\$5.61	1.0274	\$5.76	<u>\$5.76</u>	<u>\$5.76</u>	<u>\$5.76</u>
Grand Total				\$124.55	\$155.91	\$155.91

Schedule 13

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

1/27/2017

Schedule 14

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

	(1)	(2)	(3)	(4)
	Projection Factors CY 2016 over CY 2015 (A)			
<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		0.9730	0.9946
Part A Copay/365 Add'l Days	1.0222		1.0000	1.0222
Skilled Nursing Facility Copayment	1.0222		0.8840	0.9036
Part B Deductible	1.1293		1.0000	1.1293
Coinsurance - Physician	0.9972	1.0080	1.0200	1.0252
Coinsurance - Outpatient	0.9972	1.0148	1.0590	1.0717

(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 2017 OVER CALENDAR YEAR 2016

	(1)	(2)	(3)	(4)
	<u>Projection Factors CY 2017 over CY 2016 (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	1.0217		1.0000	1.0217
Part A Copay/365 Add'l Days	1.0217		1.0000	1.0217
Skilled Nursing Facility Copayment	1.0217		0.9800	1.0013
Part B Deductible	1.1024		1.0000	1.1024
Coinsurance - Physician	0.9976	1.0050	1.0290	1.0316
Coinsurance - Outpatient	0.9976	1.0150	1.0300	1.0428

(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 2018 OVER CALENDAR YEAR 2017

	(1)	(2)	(3)	(4)
	Projection Factors CY 2018 over CY 2017 (A)			
	<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	1.0274		1.0000	1.0274
Part A Copay/365 Add'l Days	1.0274		1.0000	1.0274
Skilled Nursing Facility Copayment	1.0274		0.9800	1.0068
Part B Deductible	1.0000		1.0000	1.0000
Coinsurance - Physician	1.0000	1.0050	1.0290	1.0341
Coinsurance - Outpatient	1.0000	1.0190	1.0300	1.0495

(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 2015
PLAN 65 MEDIGAP AND PLAN 65 SELECT**

	(1)	(2)	(3)	(4)	(5)
	<u>December 2015</u> <u>Contracts</u>	<u>Present Monthly</u> <u>Subscription Rates</u> <u>Effective May 2016</u>	<u>Present Monthly</u> <u>Subscription Rates</u> <u>w/o Age-in Credit</u> <u>(A)</u>	<u>Impact of</u> <u>Age-in</u> <u>Credit</u> <u>(B)</u>	<u>Redistributed</u> <u>Present Monthly</u> <u>Subscription Rate</u> <u>(C)</u>
Plan 65 Medigap Plan A					
Discount Rate	3	\$154.43	\$154.43		
Base Rate	398	\$171.59	\$171.59		
Age-in Ages 65-67	4	\$111.53	\$171.59		
Age-in Ages 68-70	3	\$133.84	\$171.59		
<u>Age-in Ages 71-72</u>	<u>0</u>	<u>\$154.43</u>	<u>\$171.59</u>		
Total Medigap Plan A	408	\$170.60	\$171.46	1.0346	\$165.73
Plan 65 Medigap Plan B					
	60	\$146.99	\$146.99	1.0346	\$142.07
Plan 65 Medigap Plan C					
Discount Rate	1,181	\$217.34	\$217.34		
Base Rate	5,752	\$241.49	\$241.49		
Year 2 Age-in Rate	378	\$193.19	\$241.49		
<u>Year 3 Age-in Rate</u>	<u>231</u>	<u>\$217.34</u>	<u>\$241.49</u>		
Total Medigap Plan C	7,542	\$234.55	\$237.71	1.0346	\$229.76
Plan 65 Medigap Plan F					
Base Rate	83	\$233.17	\$233.17		
Age-in Ages 65-67	349	\$151.56	\$233.17		
Age-in Ages 68-70	59	\$181.87	\$233.17		
<u>Age-in Ages 71-72</u>	<u>16</u>	<u>\$209.85</u>	<u>\$233.17</u>		
Total Medigap Plan F	507	\$170.29	\$233.17	1.0346	\$225.37
Plan 65 Select Plan B					
Base Rate	25	\$139.64	\$139.64		
<u>Transfer Rate</u>	<u>13</u>	<u>\$169.73</u>	<u>\$169.73</u>		
Total Select Plan B	38	\$149.93	\$149.93	1.0346	\$144.92
Plan 65 Select Plan C					
Base Rate	6,122	\$177.82	\$177.82		
Transfer Rate	788	\$242.33	\$242.33	1.0346	\$234.23
Year 2 Age-in Rate	576	\$142.26	\$177.82		
<u>Year 3 Age-in Rate</u>	<u>747</u>	<u>\$160.04</u>	<u>\$177.82</u>		
Total Select Plan C	8,233	\$179.89	\$183.99	1.0346	\$177.84
<i>Non-Transfer</i>	<i>7,445</i>	<i>\$173.28</i>	<i>\$177.82</i>	<i>1.0346</i>	<i>\$171.87</i>
Plan 65 Select Plan F					
Base Rate	118	\$171.70	\$171.70		
Transfer Rate	0	\$233.99	\$233.99		
Age-in Ages 65-67	455	\$111.61	\$171.70		
Age-in Ages 68-70	105	\$133.93	\$171.70		
<u>Age-in Ages 71-72</u>	<u>36</u>	<u>\$154.53</u>	<u>\$171.70</u>		
Total Select Plan F	714	\$126.99	\$171.70	1.0346	\$165.96
Plan 65 Select Plan L					
	83	\$138.98	\$138.98	1.0346	\$134.33
Grand Total Plan 65	17,585	\$200.32	\$207.25	1.0346	\$200.32

(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)

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, 2015 (A)	\$1,260	\$315	\$630	\$157.50	\$147
2. January 1, 2016 (A)	\$1,288	\$322	\$644	\$161.00	\$166
3. January 1, 2017 (A)	\$1,316	\$329	\$658	\$164.50	\$183
4. January 1, 2018 (B)	\$1,352	\$338	\$676	\$169.00	\$183

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, 2016 (F)	1.0222	1.0222	1.0222	1.0222	1.1293
6. January 1, 2017 (G)	1.0217	1.0217	1.0217	1.0217	1.1024
7. January 1, 2018 (H)	1.0274	1.0274	1.0274	1.0274	1.0000

(A) Actual copayments and deductibles.

(B) Part A Deductible and Part B Deductible estimated in the CMS Trustees Report, released on June 22, 2016. The 2018 Part B Deductible is estimated to decrease in the CMS Trustees Report. Since we believe that a decrease is unlikely, we estimated the 2018 Part B Deductible to be the same amount as 2017.

(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 31, 2017

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 2015 experience and trend assumptions through June 2018. Rates will be applicable for twelve months commencing July 1, 2017 and ending June 30, 2018.

The current subscription rates were filed on January 11, 2016, and approved by the Office of the Health Insurance Commissioner ("OHIC") on March 2, 2016, to be effective from May 1, 2016 through June 30, 2017.

As of December 2016, there are 17,684 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. 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 has been open to new enrollees that are under the age of 65. Individuals under the age of 65 who 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.

For members who enroll on or after May 1, 2016, BCBSRI rates incorporate a 10% premium differential between tobacco users and members who identify as non-tobacco users. Consistent with the last filing, and since tobacco user status is not included in our base period, an assumption that 90% of the population will identify as non-tobacco users was used for pricing purposes.

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

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 filing for 2016-2017 rates, a 4.00% contribution to reserve (gross of federal income taxes) is included in the proposed rates.

The overall required rate increase effective July 1, 2017 is 5.4%. 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	18.0%	4.7%	4.7%	4.7%	--
Plan 65 Select	--	6.6%	6.6%*	6.6%*	4.7%

**No change for Transfer Rates in these plans.*

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 who are under 65 or who enroll outside of normal guarantee issue circumstances. Because of the selection associated with an open enrollment, and the experience of the under 65 members, BCBSRI believes that it is appropriate to price Medigap Plan A based on its own experience. The required increase for Medigap Plan A would be about 134% for the coming rate year. BCBSRI is proposing an 18% increase on Plan A in an effort to move toward actuarially sound rates for the plan.

In order to maintain a reasonable differential between Select Transfer rates and Medigap rates, BCBSRI proposes no change for Select Plan C Transfer rates and Select Plan F Transfer rates. In this way, rates for members who transfer into Select Plan C and Select Plan F will continue to be lower than the Medigap Plan C and Medigap Plan F rates, but higher than non-transfer Select Plan C and Select Plan F rates. The proposed rate changes for the other plans (excluding Medigap Plan A) were adjusted accordingly to return to the same overall rate need. More details can be found in the Actuarial Summary.

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	175.1%	104.9%	80.1%	81.6%	--
Plan 65 Select	--	79.2%	81.6%	86.8%	89.2%

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 \$200.00 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 July 1, 2017

➤ **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 eight products: Medigap Plan A, Medigap Plan B, Medigap Plan C, Medigap Plan F, Select Plan B, Select Plan C, Select Plan F, 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, Medigap Plan F, and Select Plan L were pooled together. Select Plan B, Select Plan C, and Select Plan F were pooled together and rated based on their combined experience.

The claims base represents calendar year 2015 claims data for all benefits with the exception of the Part A Co-payment 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 2011 through 2014 pure premiums for each pool, price projected to calendar year 2015.

➤ **Projected Pure Premium**

The projected pure premiums for all plans are calculated by projecting the claims expense PCPM from the base year 2015 to the July 2017 – June 2018 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 Schedules 14-16.

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 Schedules 14-16.

- 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 2015 through 2017 are the actual deductible amounts as published in the Federal Register. The estimated 2018 Part A deductible reflects the 2016 CMS Trustee's Report released June 22, 2016 (Trustee's Report), which estimated the amount to be \$1,360, less the \$8 difference in the 2017 actual deductible and the 2017 estimate shown in the Trustee's Report.
- The Part B Deductibles from 2015 through 2017 reflect the actual deductible amounts as published in the Federal Register. The estimated deductible in 2018 is the same as the actual amount in 2017 because we do not believe it will decrease, as reflected in the amount set forth in the Trustee's Report.
- The benefit change factor for the Part B Coinsurances is the estimated decrease in Part B coinsurance 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 Coinsurance, since the coinsurances 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 coinsurances for physician and outpatient services.
- Schedules 9 through 12 include PMPM's for the Select Network Part A adjustment. Historically hospital deductible and coinsurance 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 only waived a portion of these expenses, and the remaining claims expense are 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 factors shown on Schedules 14-16 represent fee changes in physician services and outpatient services that affect the respective Part B Coinsurances.

For the physician services conversion factor, we have utilized 0.8% for 2016, 0.5% for 2017, and 0.5% for 2018. These are the amounts set forth on page 131 of the Trustee’s Report, in the Physician Update column.

The estimated provider fee changes effective for Part B outpatient coinsurances beginning 2016, 2017, and 2018 are 1.5%, 1.5%, and 1.9%, respectively. The outpatient provider fee changes are determined by applying an outpatient prospective payment fee increase to the portion of claims that will experience an increase in payment. The outpatient prospective payment fee increase is calculated as the year over year hospital deductible change, since they are both based on the hospital market basket increase. Some services’ copayments are currently at greater than 20% of the total cost of the service, and as such the copayments for these services are not expected to increase. BCBSRI calculated these increases as summarized below:

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
1) Hospital Deductible	\$1,260	\$1,288	\$1,316	\$1,352
2) Increase in conversion factor		2.22%	2.17%	2.74%
<u>3) % of copayments at 20%</u>		<u>66.8%</u>	<u>68.8%</u>	<u>69.3%</u>
4) Part B OP Copay Trend (line 2x3)		1.5%	1.5%	1.9%

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 2013 price level by dividing out the price factors for each year relative to calendar year 2013. 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 2015. Additional actual data is provided through August 31, 2016. The selected annual utilization trends consider the additional eight months of 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 -5.4% with an r-squared value of 0.82 and 13 12-month moving points. Since a continued negative trend would be unusual, and in fact using at least 21 data points produces a positive trend, we believe this level of decrease is unlikely to continue. Thus, zero percent (0.0%) was chosen for trend beyond CY 2016. Incorporating the additional actual data (the annualized trend from CY 2015 to the last point is -5.3%), a -2.7% trend was selected for the projection of CY 2015 to CY 2016. This is based on 6 months of actual trend at -5.3% and 6 months of projected trend at 0.0%. We chose 6 months of actual trend rather than all 8 months of actual trend because Inpatient claims complete more slowly than other lines and the last couple of points are particularly volatile.
- 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 negative two percent (-2.0%). The calculated annual trend is -22.0% with an r-squared value of 0.97 and 18 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 -2.0% is a more reasonable expectation for the near future. Incorporating the additional actual data (the annualized trend from CY 2015 to the last point is -28.2%), a -11.6% trend was selected for the projection of CY 2015 to CY 2016. This is based on 4 months of actual trend at -28.2% and 8 months of projected trend at -2.0%. We chose 4 months of actual trend rather than all 8 months of actual trend because SNF claims are particularly volatile and the more recent data is particularly unreliable.
- The annual utilization/mix trend factor for the Part B Deductible is 1.000; representing an assumed zero percent (0.0%) 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 Coinsurance is based on the Professional trend. The calculated annual trend is 2.9% based on all 25 12-month moving points, with an r-squared of 0.92. The trend of 2.9% was selected for trend beyond CY 2016. Incorporating the additional actual data (the annualized trend from CY 2015 to the last point is 1.6%), a 2.0% trend was chosen for the projection of CY 2015 to CY 2016. This is based on 8 months of actual trend at 1.6% and 4 months of projected trend at 2.9%. We used all 8 months of actual trend because Professional claims complete relatively quickly.
- The annual utilization/mix trend factor for the Part B Outpatient Coinsurance is based on the Outpatient trend. The calculated annual trend is 6.9% with an r-squared value of 0.97 and thirteen 12-month moving points. Actuarial judgment warrants a more modest selection of three percent (3.0%), which is the calculated trend using all 25 12-month moving points, for trend beyond CY 2016. Incorporating the additional actual data (the annualized trend from CY 2015 to the last point is 7.3%), a 5.9% trend was chosen for the projection of CY 2015 to CY 2016. This is based on 8 months of actual trend at 7.3% and 4 months of projected trend at 3.0%. We used all 8 months of actual trend because Outpatient claims complete relatively quickly.

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 2017 and 2018; then weighted by the number of months in the projected rate period (6 months in 2017 and 6 months in 2018).

➤ **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 2017 is \$24.35 PCPM. The 2017 Plan 65 budget was developed by utilizing the 2016 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. For 2018, BCBSRI will implement strategic initiatives to offset inflation, thus the projected administrative expense for calendar year 2018 is \$24.35 PCPM, the same as 2017. Thus, the administrative expense is calculated to be \$24.35 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 percent 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 134% increase. To mitigate the impact of aligning the plan's experience with its rate, the increase was adjusted to 18%.

In addition, incorporating Select network pricing changes produced Select C and Select F Transfer rates (applicable to members who switch from another Medigap plan) that were higher than Medigap C and Medigap F rates. In order to maintain Select C and Select F Transfer rates below the Medigap C and Medigap F rates, respectively, we selected a 0%

rate change for these Transfer rates. The additional rate need produced for holding these rates flat was normalized across all other plans (except Medigap A). Schedule 8 breaks out the rating impact for Select C enrollment (there is no enrollment in Select F, thus no impact to rates).

The selected rate adjustment shown in column 10 of Schedule 8 is 4.7% for Medigap Plan B, Medigap Plan C, Medigap Plan F, and Select Plan L. The selected rate adjustment shown in column 10 of Schedule 8 is 6.6% for Select Plan B, Select Plan C: Non-Transfers, and Select Plan F (Non-Transfers). These selections produce the required rate increase of 5.4% overall.

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

For members who enroll on or after May 1, 2016, BCBSRI rates incorporate a 10% premium differential between tobacco users and members who identify as non- tobacco users. Consistent with the last filing, and since tobacco user status is not included in our base period, an assumption that 90% of the population will identify as non-tobacco users was used for pricing purposes.

Also, subscribers who elect to pay via electronic funds transfer (EFT) will continue to receive a \$2.00 discount off 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 2015 to the July 2017 - June 2018 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: July 2017 PL65 Individual/2017PL65NG

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:	