

**State:** Rhode Island **Filing Company:** Blue Cross & Blue Shield of Rhode Island  
**TOI/Sub-TOI:** MS08G Group Medicare Supplement - Standard Plans 2010/MS08G.003 Plan C 2010  
**Product Name:** Plan 65 Group  
**Project Name/Number:** 2017 Plan 65 Group Rating Factors/PL65GRP2017-2018

## Filing at a Glance

Company: Blue Cross & Blue Shield of Rhode Island  
Product Name: Plan 65 Group  
State: Rhode Island  
TOI: MS08G Group Medicare Supplement - Standard Plans 2010  
Sub-TOI: MS08G.003 Plan C 2010  
Filing Type: Rate  
Date Submitted: 02/16/2017  
SERFF Tr Num: BCBS-130919563  
SERFF Status: Assigned  
State Tr Num:  
State Status: Open-Pending Actuary Review  
Co Tr Num: PL65GRP2017-2018  
  
Implementation: 07/01/2017  
Date Requested:  
Author(s): Jessie Knowles, Sean Neylon, Konrad Lech  
Reviewer(s): Linda Johnson (primary), Charles DeWeese, Maria Casale, Victor Woods  
Disposition Date:  
Disposition Status:  
Implementation Date:  
  
State Filing Description:

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## General Information

Project Name: 2017 Plan 65 Group Rating Factors	Status of Filing in Domicile: Not Filed
Project Number: PL65GRP2017-2018	Date Approved in Domicile:
Requested Filing Mode: Review & Approval	Domicile Status Comments:
Explanation for Combination/Other:	Market Type: Group
Submission Type: New Submission	Group Market Size: Small and Large
Group Market Type: Employer, Association	Overall Rate Impact: 1.5%
Filing Status Changed: 02/20/2017	
State Status Changed: 02/20/2017	Deemer Date:
Created By: Jessie Knowles	Submitted By: Jessie Knowles
Corresponding Filing Tracking Number: BCBS-126755351	

### Filing Description:

Rating Factors Applicable to Plan 65 Group Rates Effective July 2017 - June 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:	\$25.00
Retaliatory?	No
Fee Explanation:	In accordance with the filing fee requirements contained in Rhode Island General Laws section 42-14-18, a fee of \$25 has been included with this submission via electronic funds transfer (EFT).
Per Company:	Yes

Company	Amount	Date Processed	Transaction #
Blue Cross & Blue Shield of Rhode Island	\$25.00	02/16/2017	120224267

SERFF Tracking #:

BCBS-130919563

State Tracking #:

Company Tracking #:

PL65GRP2017-2018

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## Rate Information

Rate data applies to filing.

Filing Method: Review and Approve

Rate Change Type: Increase

Overall Percentage of Last Rate Revision: 3.500%

Effective Date of Last Rate Revision: 01/01/2017

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	1.500%	1.500%	\$255,500	7,093	\$16,887,800	10.700%	-1.800%

SERFF Tracking #:

BCBS-130919563

State Tracking #:

Company Tracking #:

PL65GRP2017-2018

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## Rate/Rule Schedule

Item No.	Schedule Item Status	Document Name	Affected Form Numbers (Separated with commas)	Rate Action	Rate Action Information	Attachments
1		Plan 65 Group 2017-2018 Rate Factor Filing Letter	INTRODUCTION GRP65 (09-10), FRONT GRP65 (09-10), ELIGIBILITY GRP65 (09-10), COVERED GRP65 (09-10), EXCLUSIONS GRP65 (09-10), APPEAL GRP65 (09-10), and GLOSSARY GRP65 (09-10)	New		201707 Group Plan 65 Filing Letter 2-16.pdf,
2		Consumer Narrative		New		Group P65 Consumer Narrative FINAL.pdf,

February 16, 2017

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

Subject: Rating factors applicable to Plan 65 group plans with effective dates of July 1, 2017 through June 1, 2018

Dear Commissioner Hittner:

This letter and the attached exhibits comprise a filing by Blue Cross & Blue Shield of Rhode Island (BCBSRI) of rating factors for Plan 65 group plans with effective dates of July 1, 2017 through June 1, 2018

Based on current membership, approximately 7,100 members will be affected by this filing.

This filing represents an average increase of 1.5% for the Plan 65 medical and rider rates with effective dates of July 2017 through June 2018. This average rate change is an estimate utilizing the latest available claims experience base. Actual rates will be determined using updated claims experience, and thus the resulting average rate change is not guaranteed.

Exhibit I displays the filed annual incurred claims projection factors for calendar years 2016-2019 by benefit for all of the Basic Benefits. Exhibit II displays the comparable annual incurred claims projection factors for the Skilled Nursing Facility (SNF), Major Medical, Prescription Drug, and Vision riders. The price assumptions for the projection of incurred claims expense for Basic Benefits and the SNF rider have been developed utilizing the latest information published by CMS and actuarial assumptions where final published numbers are not available. The utilization/mix projection factors for Basic Benefits and the SNF rider have been developed utilizing BCBSRI's standard methodology that has been employed in rate filings submitted to the Office of the Health Insurance Commissioner (the Office) in the past.

The projection factors for Major Medical and Prescription Drug riders are consistent with the analogous large group and small group approved projection factors (weighted 65/35).

Exhibits I and II display the administrative expense per contract per month values to be utilized for Plan 65 group rates and riders effective in CY 2017, CY 2018, and CY 2019.

We request approval in this filing for a reserve contribution factor at 4.0% of premium, which includes federal taxes on the reserve, consistent with the current approved rating factors, as displayed in Exhibits I and II.

Exhibits I and II both display the Tax Liability Factor of 2.00% for prospective premium accounts. This factor reflects the state premium tax assessment, which is currently 2.00% of premium, per R.I. General Laws § 44-17-1.

Finally, Exhibits I and II display an investment income credit factor of -0.37% of premium to be utilized for the rating of Plan 65 group plans.

In accordance with the filing fee requirements contained in Rhode Island General Laws section 42-14-18, a fee of \$25 has been included with this submission via electronic funds transfer (EFT). The policy forms pertaining to this filing are INTRODUCTION GRP65 (09-10), FRONT GRP65 (09-10), ELIGIBILITY GRP65 (09-10), COVERED GRP65 (09-10), EXCLUSIONS GRP65 (09-10), APPEAL GRP65 (09-10), and GLOSSARY GRP65 (09-10).

Commissioner Hittner  
February 16, 2017  
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We respectfully ask for your early consideration and approval of the proposed rating factors. Approval by March 31, 2017 would be greatly appreciated to ensure adequate lead-time to accommodate the notification of Plan 65 group rates effective in the third quarter of 2017.

Sincerely,

A handwritten signature in blue ink, appearing to read "Jeffrey McLane".

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

cc: Ms. Monica Neronha, Esquire

**BLUE CROSS & BLUE SHIELD OF RHODE ISLAND**

**PLAN 65 – BASIC BENEFITS**

**Group Plan 65 Basic Benefit Rating Factors for Group Prospective Rates  
 For Plan Years with Effective Dates of July 1, 2017 through June 1, 2018**

	(1) <u>CY 2016</u>	(2) <u>CY 2017</u>	(3) <u>CY 2018</u>	(4) <u>CY 2019</u>	(5) <u>Factor</u>	(6) <u>Application</u>
Annual Incurred Claims Projection Factor <sup>(A)</sup>						
Part A Deductible	0.9946	1.0217	1.0274	1.0237		X
Part A Copayments/365 Add'l Days	1.0222	1.0217	1.0274	1.0237		X
Part B Deductible	1.1293	1.1024	1.0000	1.0546		X
Part B Physician Coinsurance	1.0247	1.0312	1.0341	1.0325		X
Part B Outpatient Coinsurance	1.0711	1.0424	1.0495	1.0457		X
<b>Basic Benefits</b>	<b>1.0402</b>	<b>1.0394</b>	<b>1.0330</b>	<b>1.0365</b>		<b>X</b>
Administrative Expense PCPM <sup>(B)</sup>						
Basic Benefits		\$23.39	\$23.41	\$23.43		+
Reserve Factor					4.00%	
Tax Liability Factor <sup>(C)</sup>					2.00%	
Investment Income Credit					-0.37%	
Total Variable Retention Factor <sup>(D)</sup>					5.63%	X

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- (A) Provides for changes in Medicare benefits, provider fees, utilization/mix, or pure premium. The Basic Benefits factor represents a weighted average of all benefit categories for basic coverage.
- (B) Based on Administrative Expense per Contract per Month (PCPM) derived from Administrative Expense Budgets for anticipated expenses as estimated at the time of rate calculation.
- (C) Tax Liability Factor for prospective premium accounts includes the 2.00% state premium tax liability. In the event that Rhode Island or the federal government enacts increases to taxes and/or assessments, BCBSRI reserves the right to modify the Tax Liability Factor component to fund such increases going forward.
- (D) Total Variable Retention Factor is the sum of the Reserve Factor plus the Tax Liability Factor plus the Investment Income Credit. The Required Premium is the sum of the Projected Experience Claims PCPM plus the Administrative Expense PCPM divided by (1 - Total Variable Retention Factor).

**BLUE CROSS & BLUE SHIELD OF RHODE ISLAND**

**PLAN 65 – RIDERS**

**Group Plan 65 Rider Rating Factors for Group Prospective Rates  
 For Plan Years with Effective Dates of July 1, 2017 through June 1, 2018**

	(1) <u>CY 2016</u>	(2) <u>CY 2017</u>	(3) <u>CY 2018</u>	(4) <u>CY 2019</u>	(5) <u>Factor</u>	(6) <u>Application</u>
Annual Incurred Claims Projection Factor <sup>(A)</sup>						
Skilled Nursing Facility Benefits	0.9036	1.0013	1.0068	1.0032		X
Major Medical/Pharmacy Benefits <sup>(B)</sup>	1.0339 <sup>(B)</sup>	0.8971	1.0878	1.1042		X
Vision Benefits	1.0000	1.0000	1.0000	1.0000		X
Administrative Expense PCPM <sup>(C)</sup>						
Skilled Nursing Facility Benefits		\$2.63	\$2.57	\$2.49		+
Major Medical/Pharmacy Benefits		\$43.60	\$46.15	\$49.35		+
Vision Benefits		\$0.32	\$0.31	\$0.30		+
Reserve Factor					4.00%	
Tax Liability Factor <sup>(D)</sup>					2.00%	
Investment Income Credit					-0.37%	
Total Variable Retention Factor <sup>(E)</sup>					5.63%	X

Commissioner Hittner

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- (A) Provides for changes in Medicare benefits, provider fees, price, utilization/mix, or other expected changes in pure premium.
- (B) Anticipated PBM savings are included in the trend factors for CY 2016, CY 2017, CY 2018, and CY 2019. Please note, the factor for CY 2016 represents four months of trend, because the base period runs through August 2016.
- (C) Based on Administrative Expense per Contract per Month (PCPM) derived from Administrative Expense Budgets for anticipated expenses as estimated at the time of rate calculation.
- (D) Tax Liability Factor for prospective premium accounts includes 2.00% state premium tax liability. In the event that Rhode Island or the federal government enacts increases to taxes and/or assessments, BCBSRI reserves the right to modify the Tax Liability Factor component to fund such increases going forward.
- (E) Total Variable Retention Factor is the sum of the Reserve Factor plus the Tax Liability Factor plus the Investment Income Credit. The Required Premium is the sum of the Projected Experience Claims PCPM plus the Administrative Expense PCPM divided by (1 - Total Variable Retention Factor).

Blue Cross & Blue Shield of Rhode Island (“BCBSRI”) has submitted its annual rate filing for Group Medicare Supplement plans. This document gives an overview of that filing.

**Scope and Range of the Rate Increase:**

BCBSRI has proposed rate increases for Group Medicare Supplement plans for Rhode Island members. These rate changes, once approved, will apply to about 7,100 members. The new monthly premium rates will apply to members upon the group’s renewal, beginning July 1, 2017.

The average rate increase for these plans is expected to be 1.5%. The range of rate increases groups will experience is: -1.8% to 10.7%.

The actual increase experienced by a group and its employees may vary based upon updated members’ claims experience in this market.

**Key Drivers for this Filing:**

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

Healthcare expenses are driven by:

- how often and how much health care is received (utilization); and
- year to year changes in Medicare deductibles and copayments.

Increases in the cost of medical services continue to drive the increase in overall healthcare expenses. New drug treatments account for a large part of the increase. The increase in the cost of medical services is partly offset by expected savings from newly negotiated pharmacy prices.

Increasing utilization is also a part of the increase in healthcare expenses. The number of medical services our members receive continues to grow year over year. Medicare deductibles and copayments that are covered under these plans are expected to increase as well. Administrative costs factor into this filing, as do premium taxes paid to the State of Rhode Island.

BCBSRI recognizes that providing affordable healthcare coverage is very important to our members. We continue to work to improve internal operations to moderate both medical and administrative expense trends. And we are teaming up with our healthcare delivery system partners to develop and implement new ways to transform our business.

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**Filing Company:** Blue Cross & Blue Shield of Rhode Island

## Supporting Document Schedules

<b>Bypassed - Item:</b>	A&H Experience
<b>Bypass Reason:</b>	See attached filing letter and enclosures.
<b>Attachment(s):</b>	
<b>Item Status:</b>	
<b>Status Date:</b>	

<b>Bypassed - Item:</b>	Actuarial Certification - Life & A&H
<b>Bypass Reason:</b>	Not Required
<b>Attachment(s):</b>	
<b>Item Status:</b>	
<b>Status Date:</b>	

<b>Bypassed - Item:</b>	Actuarial Memorandum - A&H Rate Revision Filing
<b>Bypass Reason:</b>	See attached filing letter and enclosures.
<b>Attachment(s):</b>	
<b>Item Status:</b>	
<b>Status Date:</b>	

<b>Bypassed - Item:</b>	*Medicare Supplement-Group
<b>Bypass Reason:</b>	See attached filing letter and enclosures
<b>Attachment(s):</b>	
<b>Item Status:</b>	
<b>Status Date:</b>	

<b>Bypassed - Item:</b>	Premium Rate Sheets - Life & A&H
<b>Bypass Reason:</b>	See attached filing letter and enclosures.
<b>Attachment(s):</b>	
<b>Item Status:</b>	
<b>Status Date:</b>	