

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 2018 PL65 Individual/2018PL65NG

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: 01/29/2018
SERFF Tr Num: BCBS-131356300
SERFF Status: Pending Industry Response
State Tr Num:
State Status: Open-Pending Actuary Review
Co Tr Num: 2018PL65NG

Implementation: 07/01/2018
Date Requested:
Author(s): Jessie Knowles, Sean Neylon
Reviewer(s): Linda Johnson (primary), Charles DeWeese, Maria Casale, Victor Woods
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 2018 PL65 Individual	Status of Filing in Domicile: Not Filed
Project Number: 2018PL65NG	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: -1.8%	Filing Status Changed: 02/01/2018
	State Status Changed: 01/31/2018
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 7/1/2018 through 6/30/2019. Introduce Plans G and N.

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:	\$250.00
Retaliatory?	No
Fee Explanation:	\$25 per plan, 10 plans
Per Company:	Yes

Company	Amount	Date Processed	Transaction #
Blue Cross & Blue Shield of Rhode Island	\$250.00	01/29/2018	134218248

SERFF Tracking #:

BCBS-131356300

State Tracking #:

Company Tracking #:

2018PL65NG

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 2018 PL65 Individual/2018PL65NG

Correspondence Summary

Objection Letters and Response Letters

Objection Letters

Status	Created By	Created On	Date Submitted
Awaits Company Response	Charles DeWeese	02/01/2018	02/01/2018

Response Letters

Responded By	Created On	Date Submitted
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Filing Notes

Subject	Note Type	Created By	Created On	Date Submitted
Consumer Justification Request	Note To Filer	Victor Woods	02/01/2018	02/01/2018

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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Objection Letter

Objection Letter Status Awaits Company Response
Objection Letter Date 02/01/2018
Submitted Date 02/01/2018
Respond By Date

Dear Jessie Knowles,

Introduction:

- 1. Schedule 18 shows enrollment as of December 2016. Can you provide the enrollment by plan as of December 2017?*
- 2. Please provide updated information about the new enrollees from May 1, 2016 forward as to the number by plan who qualified for non-tobacco rates vs. tobacco rates.*
- 3. Please supply the data points and graphical representation of trend slope and correlation coefficient for each of the utilization trend elements.*
- 4. Please explain why you believe Select Plan F experience rather than Medigap Plan F experience is the best predictor for Plan G and Plan N claim costs. The actuarial summary references the similarity of benefits, but I don't follow why Select is the better predictor. Also, would it be your intention to rate Plans G and N in combination with Select B, C and F in the future, or with the Medigap plans?*
- 5. The actuarial summary shows anticipated claim costs for Select Plan F of \$153.56, while Schedule 8 of the filing shows projected claims expense of \$145.84 for Select Plans C and F. Can you explain? I would have expected them to be the same.*
- 6. You are proposing to no longer accept open enrollment in Plan A for members under age 65 who are eligible for Medicare due to disability or ESRD, and to no longer offer an annual open enrollment period for Plan A. Please explain why you think this is consistent with Blue Cross's responsibility as the insurer of last resort in Rhode Island.*
- 7. Do you anticipate any new enrollment in Plan A going forward, given that the rates are very similar to those for the new Plan G and higher than the new Plan N? Wouldn't a prospective new enrollee be better off with one of those plans? What help, if any, will you provide to people in choosing a plan?*

Conclusion:

Sincerely,
Charles DeWeese

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TOI/Sub-TOI: MS09 Medicare Supplement - Other 2010/MS09.000 Medicare Supplement Other 2010
Product Name: Plan 65 - Individual
Project Name/Number: July 2018 PL65 Individual/2018PL65NG

Note To Filer

Created By:

Victor Woods on 02/01/2018 10:41 AM

Last Edited By:

Victor Woods

Submitted On:

02/01/2018 10:41 AM

Subject:

Consumer Justification Request

Comments:

OHIC is aware that Blue Cross is requesting a rate decrease, however in keeping with past practice and posting for public comment, OHIC request that Blue Cross submit a Consumer friendly rate justification narrative in the Supplemental Documentation tab. Please keep this informative consumer narrative to one page and readability to meet OHIC Regulation 5.

Thank you,

Victor Woods
401-462-9643

SERFF Tracking #:

BCBS-131356300

State Tracking #:

Company Tracking #:

2018PL65NG

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 2018 PL65 Individual/2018PL65NG

Rate Information

Rate data applies to filing.

Filing Method:

Review and Approve

Rate Change Type:

Decrease

Overall Percentage of Last Rate Revision:

5.400%

Effective Date of Last Rate Revision:

08/01/2017

Filing Method of Last Filing:

Review and Approve

SERFF Tracking Number of Last Filing:

BCBS-130851387

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	-1.800%	-1.800%	\$-771,232	17,479	\$42,994,342	9.000%	-2.000%

SERFF Tracking #:

BCBS-131356300

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

2018PL65NG

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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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 Non-Group Rate Filing Effective July 2018.pdf,
2		Filing Letter		New		Filing Letter.pdf,
3		Actuarial Summary		New		Actuarial Summary.pdf,
4		Consumer Narrative		New		Consumer Narrative.pdf,

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

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DISPLAYING AND SUPPORTING CALCULATIONS OF REQUIRED
MONTHLY SUBSCRIPTION RATES EFFECTIVE JULY 1, 2018

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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 7/1/2018	Percent Increase
Medigap Plan A <i>(enrolled prior to May 1, 2016)</i>	Discount Rate	\$168.33	\$183.48	9.0%
	Base Rate	\$187.03	\$203.86	9.0%
	Age-in Rate for Ages 65-67	\$121.57	\$132.51	9.0%
	Age-in Rate for Ages 68-70	\$145.88	\$159.01	9.0%
	Age-in Rate for Ages 71-72	\$168.33	\$183.47	9.0%
Medigap Plan A <i>(enrolled on or after May 1, 2016)</i>	Base Rate	\$205.53	\$224.02	9.0%
	Age-in Rate for Ages 65-67	\$133.59	\$145.62	9.0%
	Age-in Rate for Ages 68-70	\$160.31	\$174.74	9.0%
	Age-in Rate for Ages 71-72	\$184.98	\$201.62	9.0%
Medigap Plan B	Base Rate	\$154.35	\$151.25	-2.0%
Medigap Plan C	Discount Rate	\$228.22	\$223.64	-2.0%
	Base Rate	\$253.57	\$248.48	-2.0%
Medigap Plan F <i>(enrolled prior to May 1, 2016)</i>	Base Rate	\$244.84	\$239.93	-2.0%
	Age-in Rate for Ages 65-67	\$159.15	\$155.95	-2.0%
	Age-in Rate for Ages 68-70	\$190.98	\$187.15	-2.0%
	Age-in Rate for Ages 71-72	\$220.36	\$215.94	-2.0%
Medigap Plan F <i>(enrolled on or after May 1, 2016)</i>	Base Rate	\$269.05	\$263.66	-2.0%
	Age-in Rate for Ages 65-67	\$174.89	\$171.37	-2.0%
	Age-in Rate for Ages 68-70	\$209.87	\$205.66	-2.0%
	Age-in Rate for Ages 71-72	\$242.15	\$237.30	-2.0%
Medigap Plan G	Base Rate	n/a	\$211.09	n/a
	Age-in Rate for Ages 65-67	n/a	\$137.21	n/a
	Age-in Rate for Ages 68-70	n/a	\$164.65	n/a
	Age-in Rate for Ages 71-72	n/a	\$189.98	n/a
Medigap Plan N	Base Rate	n/a	\$191.19	n/a
	Age-in Rate for Ages 65-67	n/a	\$124.27	n/a
	Age-in Rate for Ages 68-70	n/a	\$149.12	n/a
	Age-in Rate for Ages 71-72	n/a	\$172.07	n/a

Plan 65 Select Monthly Rates For Tobacco Users				
Plan	Tier	Present Rate	Rate Effective 7/1/2018	Percent Increase
Select Plan B	Base Rate	\$148.81	\$145.82	-2.0%
	Transfer Rate	\$180.88	\$177.25	-2.0%
Select Plan C	Base Rate	\$189.50	\$185.70	-2.0%
	Transfer Rate	\$242.33	\$237.47	-2.0%
Select Plan F <i>(enrolled prior to May 1, 2016)</i>	Base Rate	\$182.98	\$179.31	-2.0%
	Transfer Rate	\$233.99	\$229.29	-2.0%
	Age-in Rate for Ages 65-67	\$118.94	\$116.55	-2.0%
	Age-in Rate for Ages 68-70	\$142.72	\$139.86	-2.0%
	Age-in Rate for Ages 71-72	\$164.68	\$161.38	-2.0%
Select Plan F <i>(enrolled on or after May 1, 2016)</i>	Base Rate	\$201.08	\$197.04	-2.0%
	Transfer Rate	\$257.13	\$251.97	-2.0%
	Age-in Rate for Ages 65-67	\$130.70	\$128.08	-2.0%
	Age-in Rate for Ages 68-70	\$156.84	\$153.69	-2.0%
	Age-in Rate for Ages 71-72	\$180.97	\$177.34	-2.0%
Select Plan L	Transfer Rate	\$145.93	\$143.00	-2.0%

Schedule 4

Plan 65 Medigap Monthly Rates For Non-Tobacco Users				
Plan	Tier	Present Rate	Rate Effective 7/1/2018	Percent Increase
Medigap Plan A <i>(enrolled prior to May 1, 2016)</i>	Discount Rate	\$168.33	\$183.48	9.0%
	Base Rate	\$187.03	\$203.86	9.0%
	Age-in Rate for Ages 65-67	\$121.57	\$132.51	9.0%
	Age-in Rate for Ages 68-70	\$145.88	\$159.01	9.0%
	Age-in Rate for Ages 71-72	\$168.33	\$183.47	9.0%
Medigap Plan A <i>(enrolled on or after May 1, 2016)</i>	Base Rate	\$184.98	\$201.62	9.0%
	Age-in Rate for Ages 65-67	\$120.23	\$131.06	9.0%
	Age-in Rate for Ages 68-70	\$144.28	\$157.27	9.0%
	Age-in Rate for Ages 71-72	\$166.48	\$181.46	9.0%
Medigap Plan B	Base Rate	\$154.35	\$151.25	-2.0%
Medigap Plan C	Discount Rate	\$228.22	\$223.64	-2.0%
	Base Rate	\$253.57	\$248.48	-2.0%
Medigap Plan F <i>(enrolled prior to May 1, 2016)</i>	Base Rate	\$244.84	\$239.93	-2.0%
	Age-in Rate for Ages 65-67	\$159.15	\$155.95	-2.0%
	Age-in Rate for Ages 68-70	\$190.98	\$187.15	-2.0%
	Age-in Rate for Ages 71-72	\$220.36	\$215.94	-2.0%
Medigap Plan F <i>(enrolled on or after May 1, 2016)</i>	Base Rate	\$242.15	\$237.29	-2.0%
	Age-in Rate for Ages 65-67	\$157.40	\$154.23	-2.0%
	Age-in Rate for Ages 68-70	\$188.88	\$185.09	-2.0%
	Age-in Rate for Ages 71-72	\$217.94	\$213.57	-2.0%
Medigap Plan G	Base Rate	n/a	\$189.98	n/a
	Age-in Rate for Ages 65-67	n/a	\$123.49	n/a
	Age-in Rate for Ages 68-70	n/a	\$148.19	n/a
	Age-in Rate for Ages 71-72	n/a	\$170.98	n/a
Medigap Plan N	Base Rate	n/a	\$172.07	n/a
	Age-in Rate for Ages 65-67	n/a	\$111.84	n/a
	Age-in Rate for Ages 68-70	n/a	\$134.21	n/a
	Age-in Rate for Ages 71-72	n/a	\$154.86	n/a

Plan 65 Select Monthly Rates For Non-Tobacco Users				
Plan	Tier	Present Rate	Rate Effective 7/1/2018	Percent Increase
Select Plan B	Base Rate	\$148.81	\$145.82	-2.0%
	Transfer Rate	\$180.88	\$177.25	-2.0%
Select Plan C	Base Rate	\$189.50	\$185.70	-2.0%
	Transfer Rate	\$242.33	\$237.47	-2.0%
Select Plan F <i>(enrolled prior to May 1, 2016)</i>	Base Rate	\$182.98	\$179.31	-2.0%
	Transfer Rate	\$233.99	\$229.29	-2.0%
	Age-in Rate for Ages 65-67	\$118.94	\$116.55	-2.0%
	Age-in Rate for Ages 68-70	\$142.72	\$139.86	-2.0%
	Age-in Rate for Ages 71-72	\$164.68	\$161.38	-2.0%
Select Plan F <i>(enrolled on or after May 1, 2016)</i>	Base Rate	\$180.97	\$177.34	-2.0%
	Transfer Rate	\$231.42	\$226.77	-2.0%
	Age-in Rate for Ages 65-67	\$117.63	\$115.27	-2.0%
	Age-in Rate for Ages 68-70	\$141.16	\$138.32	-2.0%
	Age-in Rate for Ages 71-72	\$162.87	\$159.61	-2.0%
Select Plan L	Transfer Rate	\$145.93	\$143.00	-2.0%

Schedule 5

BLUE CROSS & BLUE SHIELD OF RHODE ISLAND
CALCULATION OF PLAN A, PLAN B, PLAN C, PLAN F, PLAN G, AND PLAN N
REQUIRED MONTHLY SUBSCRIPTION RATES
EFFECTIVE JULY 1, 2018
PLAN 65 MEDIGAP

	<u>Medigap A</u>	<u>Medigap B</u> (Closed)	<u>Medigap C</u> (Closed)	<u>Medigap F</u>	<u>Medigap G</u>	<u>Medigap N</u>
Present Rates Effective July 1, 2017						
Discount Rate (A)	\$168.33	N/A	\$228.22	N/A		
Base Rate	\$187.03	\$154.35	\$253.57	\$244.84		
Age-in Rate for Ages 65-67 (B)	\$121.57	N/A	N/A	\$159.15		
Age-in Rate for Ages 68-70 (B)	\$145.88	N/A	N/A	\$190.98		
Age-in Rate for Ages 71-72 (B)	\$168.33	N/A	N/A	\$220.36		
Rate Adjustment Factor (C)	1.090	0.980	0.980	0.980		
Required Rates Effective July 1, 2018						
Discount Rate (A)	\$183.48	N/A	\$223.64	N/A	N/A	N/A
Base Rate	\$203.86	\$151.25	\$248.48	\$239.93	\$192.09 (D)	\$173.98 (D)
Age-in Rate for Ages 65-67 (B)	\$132.51	N/A	N/A	\$155.95	\$124.86	\$113.09
Age-in Rate for Ages 68-70 (B)	\$159.01	N/A	N/A	\$187.15	\$149.83	\$135.70
Age-in Rate for Ages 71-72 (B)	\$183.47	N/A	N/A	\$215.94	\$172.88	\$156.58

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

(B) 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.

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

(D) Required Income, shown in Schedule 8, column 7, multiplied by age-in credit impact of 1.041, shown in Schedule 18, column 4.

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, 2018
PLAN 65 SELECT

	<u>Select B</u> (Closed)	<u>Select C</u> (Closed)	<u>Select F</u>	<u>Select L</u> (Closed)
Present Rates Effective July 1, 2017				
Base Rate	\$148.81	\$189.50	\$182.98	N/A
Transfer Rate (A)	\$180.88	\$242.33	\$233.99	\$145.93
Age-in Rate for Ages 65-67 (B)	N/A	N/A	\$118.94	N/A
Age-in Rate for Ages 68-70 (B)	N/A	N/A	\$142.72	N/A
Age-in Rate for Ages 71-72 (B)	N/A	N/A	\$164.68	N/A
Required Rate Adjustment Factor (C)	0.980	0.980	0.980	0.980
Required Rates Effective July 1, 2018				
Base Rate	\$145.82	\$185.70	\$179.31	N/A
Transfer Rate (A)	\$177.25	\$237.47	\$229.29	\$143.00
Age-in Rate for Ages 65-67 (B)	N/A	N/A	\$116.55	N/A
Age-in Rate for Ages 68-70 (B)	N/A	N/A	\$139.86	N/A
Age-in Rate for Ages 71-72 (B)	N/A	N/A	\$161.38	N/A

(A) The Transfer Rate is applicable to members who switched from another BCBSRI Plan 65 product without completing or successfully passing a health screening..

(B) 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.

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

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, 2018 - JUNE 30, 2019
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/ Tax	Subscription	Average	Rate	Rate
	(A)	(B)	(C)	Administrative	Credit	(E)	(F)	Subscription	(H)	(I)
				Expense	(D)			Income	Adjustment	Adjustment
				(C)				(G)		
Medigap Plan A	5,434	\$346.02	\$22.98	\$369.00	(\$1.02)	\$23.49	\$391.47	\$179.60	118.0%	9.0%
Medigap Plan B	693	\$153.94	\$22.98	\$176.92	(\$0.49)	\$11.26	\$187.69	\$148.27	26.6%	-2.0%
Medigap Plan C	85,806	\$189.40	\$22.98	\$212.38	(\$0.59)	\$13.52	\$225.31	\$239.73	-6.0%	-2.0%
Medigap Plan F	9,516	\$189.40	\$22.98	\$212.38	(\$0.59)	\$13.52	\$225.31	\$235.20	-4.2%	-2.0%
Medigap Plan G	0	\$150.95	(J) \$22.98	\$173.93	(\$0.48)	\$11.07	\$184.52			
Medigap Plan N	0	\$134.56	(J) \$22.98	\$157.54	(\$0.43)	\$10.02	\$167.13			
<u>Select Plan L</u>	<u>928</u>	<u>\$119.93</u>	<u>\$22.98</u>	<u>\$142.91</u>	<u>(\$0.39)</u>	<u>\$9.10</u>	<u>\$151.62</u>	<u>\$140.18</u>	<u>8.2%</u>	<u>-2.0%</u>
Medigap & Select L	102,377	\$196.84	\$22.98	\$219.82	(\$0.61)	\$13.99	\$233.21	\$234.60	-0.6%	-1.6%
Select Plan B	440	\$118.51	\$22.98	\$141.49	(\$0.39)	\$9.01	\$150.11	\$152.36	-1.5%	-2.0%
Select Plan C	93,632	\$145.84	\$22.98	\$168.82	(\$0.47)	\$10.76	\$179.10	\$186.26	-3.8%	-2.0%
<u>Select Plan F</u>	<u>12,752</u>	<u>\$145.84</u>	<u>\$22.98</u>	<u>\$168.82</u>	<u>(\$0.47)</u>	<u>\$10.76</u>	<u>\$179.10</u>	<u>\$175.77</u>	<u>1.9%</u>	<u>-2.0%</u>
Select B, C & F	106,824	\$145.72	\$22.98	\$168.70	(\$0.47)	\$10.75	\$178.98	\$184.87	-3.2%	-2.0%
Grand Total	209,201	\$170.74	\$22.98	\$193.72	(\$0.54)	\$12.34	\$205.52	\$209.20	-1.8%	-1.8%

(A) These are projected total member months, weighted by adjusted base period member months. Medigap A projected member months reflect a reduced enrollment assumption due to the enrollment changes effective July 1, 2018.

(B) 6 months of projected 2018 rates and 6 months of projected 2019 rates. The formula is 6/12ths multiplied by the CY 2018 rates (shown on Schedules 9 and 11) plus 6/12ths multiplied by the CY 2019 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 0.26% 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) 9.0% capped rate change selected for Medigap A. The remaining rate adjustments were selected to maintain consistency among products and maintain the overall rate need of -1.8%.

(J) Select Projected Claims, excluding the part B deductible (\$15.25), adjusted for benefits and induced demand factors, which are based on Milliman data.

Schedule 9

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)	(10)
	Projected									
	Claims Expense per Contract Month									
	1/1/18 - 12/31/18									
	Base Period Claims Expense		Projection Factors		All	Medigap	Medigap	Medigap	Medigap	Select
	Medigap	Medigap Plans	CY 2017 over	CY 2018 over	Benefits	Plan A	Plan B	Plan C	Plan F	Plan L
<u>Plan 65 Benefit</u>	<u>Plan A</u>	<u>B, C, F & Select L</u>	<u>CY 2016</u>	<u>CY 2017</u>						
Part A Deductible		\$2,746,600	1.0391	1.0376	\$30.69	-	\$30.69	\$30.69	\$30.69	\$4.82 (A)
Part A Copay/365 Add'l Days (B)		\$488,020	1.0217	1.0182	\$4.95	\$4.95	\$4.95	\$4.95	\$4.95	\$0.15 (C)
Skilled Nursing Facility Copayment		\$1,850,834	1.0136	1.0182	\$19.94	-	-	\$19.94	\$19.94	\$15.91 (D)
Part B Deductible		\$1,325,012	1.1024	1.0000	\$15.25	-	-	\$15.25	\$15.25	-
Coinsurance - Physician	\$789,945	\$7,089,848	1.0125	1.0120	\$74.58	\$134.81	\$74.58	\$74.58	\$74.58	\$59.49 (D)
Coinsurance - Outpatient	\$1,168,287	\$3,921,473	0.9963	1.0369	\$41.59	\$201.02	\$41.59	\$41.59	\$41.59	\$33.18 (D)
Select Network: Part A <u>Adjustment (PMPM)</u>		\$5.09	1.0365	1.0347	\$5.46					<u>\$4.36</u>
Grand Total						\$340.79	\$151.81	\$187.00	\$187.00	\$117.90

(A) Select L Part A Deductible is calculated as 30.3% 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 79.8% 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 2019
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 1/1/18 - 12/31/18		Projection Factors	Projected Claims Expense per Contract Month 1/1/19 - 12/31/19							
	Medigap <u>Plan A</u>	All Other <u>Benefits</u>	CY 2019 over <u>CY 2018</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		\$30.69	1.0464	\$32.12	-	\$32.12	\$32.12	\$32.12	\$4.95	(A)	
Part A Copay/365 Add'l Days	\$4.95	\$4.95	1.0269	\$5.09	\$5.09	\$5.09	\$5.09	\$5.09	\$0.15	(B)	
Skilled Nursing Facility Copayment		\$19.94	1.0269	\$20.48	-	-	\$20.48	\$20.48	\$16.34	(C)	
Part B Deductible		\$15.25	1.0000	\$15.25	-	-	\$15.25	\$15.25	-		
Coinsurance - Physician	\$134.81	\$74.58	1.0120	\$75.47	\$136.43	\$75.47	\$75.47	\$75.47	\$60.21	(C)	
Coinsurance - Outpatient	\$201.02	\$41.59	1.0434	\$43.39	\$209.74	\$43.39	\$43.39	\$43.39	\$34.62	(C)	
Select Network: Part A <u>Adjustment (PMPM)</u>		\$5.46	1.0435	\$5.70					<u>\$5.70</u>		
Grand Total					\$351.26	\$156.07	\$191.80	\$191.80	\$121.96		

(A) Select L Part A Deductible is calculated as 30.3% 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 79.8% 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 2018
INCURRED CLAIMS EXPENSE PER CONTRACT MONTH
FOR SELECT PLANS B, C, AND F
PLAN 65 SELECT

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
	Base Period	Projection Factors		Projected			
	Claims Expense	1/1/18 - 12/31/18		Claims Expense per Contract Month			
	Select	CY 2017 over	CY 2018 over	All	Select	Select	Select
	Plans B, C, F	CY 2016	CY 2017	Benefits	Plan B	Plan C	Plan F
<u>Plan 65 Benefit</u>							
Part A Deductible	\$264,701	1.0391	1.0376	\$2.66	\$2.66	\$2.66	\$2.66
Part A Copay/365 Add'l Days	\$140,618	1.0217	1.0182	\$1.36	\$1.36	\$1.36	\$1.36
Skilled Nursing Facility Copayment	\$1,421,306	1.0136	1.0182	\$13.72	-	\$13.72	\$13.72
Part B Deductible	\$1,301,523	1.1024	1.0000	\$13.42	-	\$13.42	\$13.42
Coinsurance - Physician	\$7,515,400	1.0125	1.0120	\$71.74	\$71.74	\$71.74	\$71.74
Coinsurance - Outpatient	\$3,732,301	0.9963	1.0369	\$35.92	\$35.92	\$35.92	\$35.92
Select Network: Part A	\$5.09	1.0331	1.0309	\$5.43	<u>\$5.43</u>	<u>\$5.43</u>	<u>\$5.43</u>
<u>Adjustment (PMPM)</u>							
Grand Total					\$117.11	\$144.25	\$144.25

Schedule 12

BLUE CROSS & BLUE SHIELD OF RHODE ISLAND
PROJECTION OF JANUARY THROUGH DECEMBER 2019
INCURRED CLAIMS EXPENSE PER CONTRACT MONTH
FOR SELECT PLANS B, C, AND F
PLAN 65 SELECT

	(1)	(2)	(3)	(4)	(5)	(6)
	Projected			Projected		
	1/1/18 - 12/31/18	Projection Factors	Claims Expense per Contract Month			
	Expense per	CY 2019 over	1/1/19 - 12/31/19			
	<u>Contract Month</u>	<u>CY 2018</u>	<u>All</u>	<u>Select</u>	<u>Select</u>	<u>Select</u>
<u>Plan 65 Benefit</u>			<u>Benefits</u>	<u>Plan B</u>	<u>Plan C</u>	<u>Plan F</u>
Part A Deductible	\$2.66	1.0464	\$2.78	\$2.78	\$2.78	\$2.78
Part A Copay/365 Add'l Days	\$1.36	1.0269	\$1.40	\$1.40	\$1.40	\$1.40
Skilled Nursing Facility Copayment	\$13.72	1.0269	\$14.09	-	\$14.09	\$14.09
Part B Deductible	\$13.42	1.0000	\$13.42	-	\$13.42	\$13.42
Coinsurance - Physician	\$71.74	1.0120	\$72.60	\$72.60	\$72.60	\$72.60
Coinsurance - Outpatient	\$35.92	1.0434	\$37.48	\$37.48	\$37.48	\$37.48
Select Network: Part A	\$5.43	1.0396	\$5.65	<u>\$5.65</u>	<u>\$5.65</u>	<u>\$5.65</u>
<u>Adjustment (PMPM)</u>						
Grand Total				\$119.91	\$147.42	\$147.42

Schedule 13

Plan 65 Medigap and Plan 65 Select

Projection Factors

Schedule 14

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

	(1)	(2)	(3)	(4)
	Projection Factors CY 2017 over CY 2016 (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	1.0217		1.0170	1.0391
Part A Copay/365 Add'l Days	1.0217		1.0000	1.0217
Skilled Nursing Facility Copayment	1.0217		0.9920	1.0136
Part B Deductible	1.1024		1.0000	1.1024
Coinsurance - Physician	0.9975	1.0050	1.0100	1.0125
Coinsurance - Outpatient	0.9975	1.0150	0.9840	0.9963

(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 2018 OVER CALENDAR YEAR 2017

	(1)	(2)	(3)	(4)
	<u>Projection Factors CY 2018 over CY 2017 (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	1.0182		1.0190	1.0376
Part A Copay/365 Add'l Days	1.0182		1.0000	1.0182
Skilled Nursing Facility Copayment	1.0182		1.0000	1.0182
Part B Deductible	1.0000		1.0000	1.0000
Coinsurance - Physician	1.0000	1.0050	1.0070	1.0120
Coinsurance - Outpatient	1.0000	1.0126	1.0240	1.0369

(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 2019 OVER CALENDAR YEAR 2018

	(1)	(2)	(3)	(4)
	Projection Factors CY 2019 over CY 2018 (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	1.0269		1.0190	1.0464
Part A Copay/365 Add'l Days	1.0269		1.0000	1.0269
Skilled Nursing Facility Copayment	1.0269		1.0000	1.0269
Part B Deductible	1.0000		1.0000	1.0000
Coinsurance - Physician	1.0000	1.0050	1.0070	1.0120
Coinsurance - Outpatient	1.0000	1.0190	1.0240	1.0434

(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 2016
PLAN 65 MEDIGAP AND PLAN 65 SELECT**

	(1)	(2)	(3)	(4)	(5)
	<u>December 2016</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 Jul 2017</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	2	\$168.33	\$168.33		
Base Rate	507	\$187.03	\$187.03		
Age-in Ages 65-67	2	\$121.57	\$187.03		
Age-in Ages 68-70	5	\$145.88	\$187.03		
<u>Age-in Ages 71-72</u>	<u>0</u>	<u>\$168.33</u>	<u>\$187.03</u>		
Total Medigap Plan A	516	\$186.31	\$186.96	1.0410	\$179.60
Plan 65 Medigap Plan B	55	\$154.35	\$154.35	1.0410	\$148.27
Plan 65 Medigap Plan C					
Discount Rate	1,094	\$228.22	\$228.22		
Base Rate	5,462	\$253.57	\$253.57		
Year 2 Age-in Rate	0	NA	\$253.57		
<u>Year 3 Age-in Rate</u>	<u>359</u>	<u>\$228.21</u>	<u>\$253.57</u>		
Total Medigap Plan C	6,915	\$248.24	\$249.56	1.0410	\$239.73
Plan 65 Medigap Plan F					
Base Rate	163	\$244.84	\$244.84		
Age-in Ages 65-67	688	\$159.15	\$244.84		
Age-in Ages 68-70	110	\$190.98	\$244.84		
<u>Age-in Ages 71-72</u>	<u>34</u>	<u>\$220.36</u>	<u>\$244.84</u>		
Total Medigap Plan F	995	\$178.80	\$244.84	1.0410	\$235.20
Plan 65 Select Plan B					
Base Rate	25	\$148.81	\$148.81		
<u>Transfer Rate</u>	<u>11</u>	<u>\$180.88</u>	<u>\$180.88</u>		
Total Select Plan B	36	\$158.61	\$158.61	1.0410	\$152.36
Plan 65 Select Plan C					
Base Rate	6,427	\$189.50	\$189.50		
Transfer Rate	633	\$242.33	\$242.33		
Year 2 Age-in Rate	0	NA	\$189.50		
<u>Year 3 Age-in Rate</u>	<u>540</u>	<u>\$170.55</u>	<u>\$189.50</u>		
Total Select Plan C	7,600	\$192.55	\$193.90	1.0410	\$186.26
Plan 65 Select Plan F					
Base Rate	225	\$182.98	\$182.98		
Transfer Rate	0	\$233.99	\$233.99		
Age-in Ages 65-67	859	\$118.94	\$182.98		
Age-in Ages 68-70	209	\$142.72	\$182.98		
<u>Age-in Ages 71-72</u>	<u>66</u>	<u>\$164.68</u>	<u>\$182.98</u>		
Total Select Plan F	1,359	\$135.42	\$182.98	1.0410	\$175.77
Plan 65 Select Plan L	74	\$145.93	\$145.93	1.0410	\$140.18
Grand Total Plan 65	17,550	\$208.72	\$217.27	1.0410	\$208.71

(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, 2016 (A)	\$1,288	\$322	\$644	\$161.00	\$166
2. January 1, 2017 (A)	\$1,316	\$329	\$658	\$164.50	\$183
3. January 1, 2018 (A)	\$1,340	\$335	\$670	\$167.50	\$183
4. January 1, 2019 (B)	\$1,376	\$344	\$688	\$172.00	\$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, 2017 (F)	1.0217	1.0217	1.0217	1.0217	1.1024
6. January 1, 2018 (G)	1.0182	1.0182	1.0182	1.0182	1.0000
7. January 1, 2019 (H)	1.0269	1.0269	1.0269	1.0269	1.0000

(A) Actual copayments and deductibles.

(B) The estimated 2019 Part A deductible reflects the 2017 CMS Trustee's Report released July 13, 2017, which estimated the amount to be \$1,388, less the \$12 difference in the 2018 actual deductible and the 2018 estimate shown in the Trustee's Report. The estimated 2019 Part B Deductible is the amount shown in the Trustees Report.

(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.

Blue Cross & Blue Shield of Rhode Island is an independent licensee of the Blue Cross and Blue Shield Association.

January 29, 2018

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, F, G, and N, and
Medigap Select Plans B, C, F, and L

Dear Commissioner Ganim:

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 rate calculation schedules and a summary of the actuarial steps and assumptions.

There are two updates to the Plan 65 portfolio, effective July 1, 2018, that I would like to highlight. First, we are offering two new products in the market place: Medigap Plan G and Medigap Plan N. Second, we are changing enrollment guidelines for Medigap Plan A. The rating implications of these updates are discussed in further detail in the Actuarial Summary and attached schedules.

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 \$250.00 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 (01-18), Plan 65 B (01-18), Plan 65 C (01-18), Plan 65 F (01-18), Plan 65 G (07-18), Plan 65 N (07-18), Plan 65 Select B (01-18), Plan 65 Select C (01-18), Plan 65 Select L (01-18), Plan 65 Select F (01-18), and Plan 65 Outline (01-18).

We respectfully ask for your timely approval of this filing as submitted.

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, 2018

Plan 65 and Plan 65 Select products for non-group subscribers are made available by Blue Cross & Blue Shield of Rhode Island (BCBSRI) in accordance with Office of the Health Insurance Commissioner (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.

As of December 2017, there are 17,479 subscribers enrolled in BCBSRI's Plan 65 and Plan 65 Select non-group plans.

The current subscription rates were filed on January 31, 2017, and approved by the Office of the Health Insurance Commissioner ("OHIC") on March 15, 2017. They are effective from July 1, 2017 through June 30, 2018.

The requested rates have been calculated using Calendar Year 2016 experience and trend assumptions through June 2019. We are proposing these rates apply for twelve months commencing July 1, 2018 and ending June 30, 2019.

➤ **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 are 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 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 historically, its eligibility requirements have differed considerably from those of 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 2016 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 2012 through 2015 pure premiums for each pool, price projected to calendar year 2016.

➤ **Projected Pure Premium**

The projected pure premiums for all plans are calculated by projecting the claims expense PCPM from the base year 2016 to the July 2018 – June 2019 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 Changes

The factor for 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 2016 through 2018 are the actual deductible amounts as published in the Federal Register. The estimated 2019 Part A deductible reflects the 2017 CMS Trustee's Report released July 13, 2017 (Trustee's Report), which estimated the amount to be \$1,388, less the \$12 difference in the 2018 actual deductible and the 2018 estimate shown in the Trustee's Report.
- The Part B Deductibles from 2016 through 2018 reflect the actual deductible amounts as published in the Federal Register. The estimated deductible in 2019 is the same as the actual amount in 2018, 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 waived only a portion of these expenses, and the remaining claims expenses were paid by BCBSRI as out of system payments. 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 0.5% for 2017, 0.5% for 2018, and 0.5% for 2019. These are the amounts set forth on page 128 of the Trustee's Report, in the Physician Update column.

The estimated provider fee changes effective for Part B outpatient coinsurances beginning 2017, 2018, and 2019 are 1.5%, 1.3%, 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>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
1) Hospital Deductible	\$1,288	\$1,316	\$1,340	\$1,376
2) Increase in conversion factor		2.17%	1.82%	2.69%
3) % of copayments at 20%		68.8%	69.3%	70.6%
4) Part B OP Copay Trend (line 2x3)		1.5%	1.3%	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 2014 price level by dividing out the price factors for each year relative to calendar year 2014. 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 2016. Additional actual data is provided through July 31, 2017. The selected annual utilization trends consider the additional seven months of actual data where appropriate and are as follows:

- The utilization trend for the Part A Deductible is based on the Inpatient Trend. The calculated annual Inpatient Trend is 1.9% with an r-squared value of 0.68 and based on 14 12-month moving points. Since the r-squared value almost meets the standard for best fit, and this is a reasonable trend, 1.9% was selected for trend beyond CY 2017. Incorporating the additional actual data (the annualized trend from CY 2016 to the last point is 1.4%), a 1.7% trend was chosen for the projection of CY 2016 to CY 2017. This is based on 6 months of actual trend at 1.4% and 6 months of projected trend at 1.9%. We chose 6 months of actual trend rather than all 7 months of actual trend because Inpatient claims complete more slowly than other lines and there is a low degree of confidence in the last point.
- 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 trend 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 -21.2% with an r-squared value of 0.92 and based on all 25 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. Given the volatility of this benefit, determining the trend at 0.0% is reasonable. Incorporating the additional actual data (the annualized trend from CY 2016 to the last point is -2.5%), a -0.8% trend was

selected for the projection of CY 2016 to CY 2017. This is based on 4 months of actual trend at -2.5% and 8 months of projected trend at 0.0%. We chose 4 months of actual trend rather than all 7 months of actual trend because SNF claims are particularly volatile and the more recent data is not reliable.

- 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 0.7% based on all 25 12-month moving points, with an r-squared of 0.40. Although the r-squared does not meet the standard for best fit, that can be explained by the fact that the trend line is close to 0% trend. Even with the low r-squared value, 0.7% is still a better fit than other trend lines. Therefore, the trend of 0.7% was selected for trend beyond CY 2017. Incorporating the additional actual data (the annualized trend from CY 2016 to the last point is 1.3%), a 1.0% trend was chosen for the projection of CY 2016 to CY 2017. This is based on 7 months of actual trend at 1.3% and 5 months of projected trend at 0.7%. We used all 7 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 -3.0% with an r-squared value of 0.85 and based on 13 12-month moving points. Negative Outpatient trend is highly irregular, and in fact, using at least 19 data points produces a positive trend. Actuarial judgment warrants a selection of 2.4% trend, which is the calculated trend using all 25 12-month moving points, for trend beyond CY 2017. Incorporating the additional actual data (the annualized trend from CY 2016 to the last point is -4.4%), a -1.6% trend was chosen for the projection of CY 2016 to CY 2017. This is based on 7 months of actual trend at -4.4% and 5 months of projected trend at 2.4%. We used all 7 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 2018 and 2019; then weighted by the number of months in the projected rate period (6 months in 2018 and 6 months in 2019).

➤ 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 2018 is \$22.88 PCPM. The 2018 Plan 65 budget was developed by utilizing the 2017 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. The projected administrative expense for calendar year 2019 is \$23.07 PCPM, a 0.8% increase over 2018. Thus, the administrative expense is calculated to be \$22.98 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 0.26%.

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 is consistent with prior filings, and 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**

As in prior filings for non-group Medigap plans, the required rate changes 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.

Additionally, requested rates for all plans reflect the projected impact of changes in Medigap A enrollment policies. Effective July 1, 2018, BCBSRI will no longer accept enrollment for members under age 65 who are eligible for Medicare due to disability or End Stage Renal Disease (ESRD). Additionally, BCBSRI will no longer provide an

annual enrollment period for individuals enrolled in Medicare to purchase Medigap A. Medigap A will still be available during an individual's 6-month initial open enrollment period, and under guaranteed issue rights. This is consistent with our other plans as well as Medigap offerings from other carriers. Additionally, members who are eligible for Medicare due to disability or ESRD will continue to be able to enroll in a Medicare Advantage plan, or remain in original Medicare.

To reflect this change in the filing, we reduced the projected enrollment of Medigap A, resulting in a lower overall rate need of about 0.2% for this rating period. Specifically, to calculate the projected member months shown in column (1) on Schedule 8 we used an overall enrollment projection and distributed it by the adjusted base period member months by plan. The base period member months were adjusted only for Medigap Plan A. This was done by taking the ratio of actual member months to member months we would have had if no members left (90.9%) and multiplying the ratio by the actual base period member months.

Even with this projected change in Medigap A enrollment, Medigap A rates will continue to be subsidized by Medigap Plan C and Medigap Plan F rates. In Medigap A, existing members under the age of 65 had a 285% loss ratio for CY 2016, while members under age 65 who joined in 2016 had a 255% loss ratio in the same time period. The loss ratio for members who joined Medigap Plan A during the 2016 annual enrollment period was 231% for CY 2016.

The required increase for Medigap Plan A would be about 118% for the coming rate year if all subsidization were removed. BCBSRI is proposing to cap this increase at 9%. Over time, the change in Medigap A enrollment will further reduce the subsidy needed for Plan A.

The overall required rate change effective July 1, 2018 is -1.8%. Rate changes by plan are shown in the table below:

	Expected Rate Increases				
	Plan A	Plan B	Plan C	Plan F	Plan L
Plan 65 Medigap	9.0%	-2.0%	-2.0%	-2.0%	--
Plan 65 Select	--	-2.0%	-2.0%	-2.0%	-2.0%

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.

The selected rate adjustment shown in column 10 of Schedule 8 is -2.0% for Medigap Plan B, Medigap Plan C, Medigap Plan F, Select Plan L, Select Plan B, Select Plan C, and Select Plan F. A single rate adjustment factor was utilized for these plans in order to maintain rate stability in the Select plans. These selections produce the required rate change of -1.8% overall.

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

Additionally, for members who have enrolled since 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, for pricing purposes, we considered that 90% of the population does not use tobacco.

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.

➤ **New Plans: Medigap Plan G and Medigap Plan N**

BCBSRI seeks to offer two new plans effective July 1, 2018: Medigap Plan G and Medigap Plan N. Medigap Plan G covers Medicare cost-sharing with the exception of the Part B deductible. Medigap Plan N covers Medicare cost-sharing with the exception of the Part B deductible, \$20 office visit copays, and \$50 emergency room visit copays. This section reviews the rating methodology for these plans.

BCBSRI utilized experience from plans Select B, Select C, and Select F in developing the claims expense estimates for Medigap Plan G and Medigap Plan N shown in column 2 of schedule 8. Historically, Select C and Select F have been popular choices, particularly for those members looking for a lower-cost product. We can use the Select C and F experience as indicative of the membership that would purchase these new plans, particularly in light of the similarity in benefits offered. Benefit adjustment and induced utilization factors were developed using the Milliman Medicare Supplement rating tool and applied to covered claims expenses. The below table details the calculation of expected claims expenses for the new products shown on Schedule 8.

<u>Cost Category</u>	<u>CY 2018</u>	<u>CY 2019</u>	<u>Rate Year</u>
Part A Deductible	\$25.94	\$27.14	\$26.54
Part A Copay	\$4.19	\$4.30	\$4.24
SNF	\$13.72	\$14.09	\$13.91
Coinsurance - Physician	\$71.74	\$72.60	\$72.17
<u>Coinsurance - Outpatient</u>	<u>\$35.92</u>	<u>\$37.48</u>	<u>\$36.70</u>
Total	\$151.51	\$155.61	\$153.56
 <u>Plan F to G Induced Utilization Adjustment</u>			<u>0.983</u>
Plan G Rate Year Expected Claims (Sch 8)			\$150.95
 Plan G Rate Year Expected Claims			\$150.95
Plan G to N Benefit Milliman Adjustment			0.905
<u>Plan G to N Induced Utilization Adjustment</u>			<u>0.985</u>
Plan N Rate Year Expected Claims (Sch 8)			\$134.56

The resulting rates for non-tobacco members aging into the products are comparable to other rates for G and N available in the market. It is important that BCBSRI offer competitive rates in the market in order to avoid adverse selection and ensure the breadth of the pool. This will help maintain affordable rates for new and existing members.

➤ **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.

	Expected Loss Ratios						
	Plan A	Plan B	Plan C	Plan F	Plan G	Plan N	Plan L
Plan 65 Medigap	176.8%	105.9%	80.6%	82.2%	81.8%	80.5%	--
Plan 65 Select	--	79.4%	79.9%	84.7%	--	--	87.3%

➤ **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 2016 to the July 2018 - June 2019 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.

➤ **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.



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

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

Scope and Range of the Rate Increase:

BCBSRI has proposed rate changes for July 1, 2018 Non-Group Medicare Supplement plans for Rhode Island members. These rate changes, once approved, will apply to about 17,500 members. The new monthly premium rates will apply to members beginning July 1, 2018.

The average expected rate change for these plans is a decrease of 1.8%. Rate changes vary by plan. The range of rate changes members will experience is: -2.0% to 9.0%. This range does not account for changes in premium due to attained age discounts.

Key Drivers for this Filing:

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.

Medicare deductibles and copayments that are covered under these plans are expected to increase. 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.

SERFF Tracking #:

BCBS-131356300

State Tracking #:

Company Tracking #:

2018PL65NG

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 2018 PL65 Individual/2018PL65NG

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:	