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OHIC Issues Decision on Blue Cross Blue Shield Direct Pay Plan Rate Increases

CRANSTON, R.I. (August 28, 2015) - Health Insurance Commissioner Kathleen C Hittner, MD issued an Amended Order and Decision on the insurance premium rate requested by Blue Cross Blue Shield of Rhode Island (BCBSRI) for its Direct Pay plans. The amended decision was developed in response to a Motion to Reconsider filed by Attorney General Peter F. Kilmartin. BCBSRI initially proposed an 18 percent increase to its direct pay rate. Hittner's decision reduced the rate increase to 10.4 percent.

"I am committed to Rhode Island's clear and transparent rate review process, and I took the Attorney General's Motion to Reconsider very seriously," said Commissioner Hittner. "We must continue to take concrete, actionable steps to drive transformations across the healthcare industry to put a greater focus and emphasis on improved outcomes, improved quality and improved efficiency. After a second review of the facts, I stand by my initial decision and approved a rate increase for BCBSRI that is 40 percent smaller than the increase they initially requested."

The main drivers behind BCBSRI's premium increase are medical trend (how many services members use and how much a healthcare provider charges for those services) and the phase-out of the temporary federal reinsurance program.

BCBSRI's Direct Pay health plans are subject to a separate rate review hearing that is required by Rhode Island law. This process involves a formal public hearing before a Hearing Officer with presentations from OHIC, the Attorney General's Office and BCBSRI. These hearings were held in early July. The Hearing Officer submitted a report and recommendations to the Commissioner on July 27. As authorized by Rhode Island statute, the Commissioner issued an approved rate increase that adopted and accepted all but two of the Hearing Officer's recommendations. Hittner's Order and Decision allowed BCBSRI to apply \$4.7 million in unanticipated 2014 reinsurance payments and \$577,730 in Federal risk adjustment subsidies towards BCBSRI's reserves.

OHIC has a statutory responsibility to promote affordable health insurance while ensuring the financial solvency of health insurance carriers. In the event of unanticipated increases in medical claims, inadequate reserves can lead to the inability of the insurance carrier to pay for its members' medical expenses, which leaves patients and providers exposed to financial losses. The unanticipated proceeds presented an opportunity to reasonably increase Blue Cross' long-term financial strength.

2016 Individual Essential Health Benefits Base Rates: Requested and Approved

Insurer	Approved for 2015	Requested for 2016 ¹	Approved for 2016	Requested EHB Rate Increase from 2015 ²	Approved EHB Rate Increase from 2015	Approved Weighted Average Overall Rate Change from 2015 ³
BCBSRI	\$328.25	\$389.59	\$364.44	18.0%	10.4%	3.8%

For more information, please see the Requested and Approved Summary for 2016 rates.

This is the final administrative decision of the Commissioner. This order may be appealed pursuant to the Administrative Procedures Act within 30 days of the Order. Such an appeal, if taken, may be completed by filing a petition for review in court.

For the Commissioner's Amended Decision and Order and detailed information on the rates please visit <http://www.ohic.ri.gov/ohic-formandraterreview.php>. For more information about OHIC, please visit www.ohic.ri.gov.

¹Requested as of 6/1/2015.

² The EHB Rate Increase uses a theoretical plan and allows for comparisons across health insurance carriers and across years.

³ The Weighted Average Overall Rate Change includes adjustments to the plans offered to reflect the benefits selected, including modifications to prior year benefits and pricing. This is the average premium increase to consumers, before reflecting changes in age. The assumptions making up this number change from year to year and change from carrier to carrier.