



# News

## *For Immediate Release*

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## OHIC Issues Direct Pay Rate Order Rate Increase of 1.9% Approved

**Cranston, RI March 9, 2011** — The Health Insurance Commissioner, Christopher F. Koller issued his decision on the requested rate increase for Direct Pay Products issued by Blue Cross and Blue Shield of Rhode Island (Blue Cross).

In the order, Koller lowered the effective overall average rate increase of 7.9% requested by BCBSRI to an estimated 1.9%.

In lowering the rates, Koller changed the following factors:

- Elimination of anticipated contribution to reserves – worth about one percent.
- Disallowance of costs of premium tax on commercial insurance – worth about two percent.
- Disallowance of allocation of costs of publicly purchased vaccines.
- Reduction of Blue Cross trend factors for three of eight medical services categories.

The resulting rate increase is also slightly higher than was recommended by the Attorney General in the rate hearing and slightly higher than what was recommended to Koller by the Hearing Officer in the case. The rate increases go into effect for enrollees renewing their coverage on or after April 1 and are an average – some subscribers will see more and some less.

Koller also ordered Blue Cross to offer no rate increase to the small number of its customers over age 65 in Direct Pay, who otherwise would have seen significant increases because of a change in rating formula.

“This Office has to balance the need for solvency of Blue Cross and the lowest rates of increases needed,” said Koller. “The rate increases granted here find that balance. It is not appropriate to have other Blue Cross lines of business subsidize the Direct Pay product but every measure must be taken to keep rate increases low.”

Koller went on to note that Direct Pay subscribers, who purchase their insurance with no employer contribution, are among the most vulnerable health insurance consumers. “They stand the most to gain from health care reform.” Koller said, “because of federal subsidies and the introduction of more healthy individuals into the market with an individual mandate. In the mean time, careful rate oversight and the efforts of Blue Cross make our individual market considerably healthier than in almost any other state, many of which are experiencing double digit rate increases.”

Blue Cross may accept the decision of the Health Insurance Commissioner or appeal it in Court.

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### **About Direct Pay**

Direct Pay is individual and family insurance for subscribers who have no access to employer-based insurance. Currently there are approximately 14,000 Direct Pay subscribers and dependents who have a choice of products. They can be enrolled one of two pools, depending on their medical history – people in the healthy pool (“Pool II”) subsidize the costs of care of people in Pool I. BCBSRI is the only health insurance provider in this market, and by law the rates they charged are reviewed and approved by OHIC in a rate hearing process

### **About the Office of the Health Insurance Commissioner**

The Office of the Health Insurance Commissioner (OHIC) was established by legislation in 2004 to broaden the accountability of health insurers operating in the state of Rhode Island. Under this legislation, the Office is dedicated to:

1. Protecting consumers
2. Encouraging fair treatment of medical service providers
3. Ensuring solvency of health insurers
4. Improving the health care system's quality, accessibility and affordability

The Office sets and enforces standards for health insurers in each of these four areas.

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