



**PRESS RELEASE
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**Health Insurance Commissioner Conditionally Approves Health Insurance Premium Increases for Blue Cross Blue Shield of Rhode Island Subscribers
New Average Expected Premium Increases of 3.67% for Small Employers and 7.87% for Large Employers Dependent on Collective Accountability for Reform from the Insurer and Providers**

Cranston, Rhode Island, February 8, 2013- Today Health Insurance Commissioner Christopher F. Koller announced his final decision granting conditional approval of health insurance premium increases for small and large employers who purchase their coverage from Blue Cross Blue Shield of Rhode Island (BCBSRI). The final decision was made in response to the company’s filing to the State of Rhode Island Office of the Health Insurance Commissioner (OHIC) to request changes to the company’s rate components previously approved by the Commissioner on September 21, 2012 for rates effective in 2013.

The final decision results in new average premium increases for both small and large employers with renewal effective dates from April 1, 2013 through December 31, 2013. The following tables show the previous approved, new requested, and new approved average premium increases for small and large employers:

**April 1, 2013 to December 31, 2013 Small and Large Employer
Average Expected Premium Increases for Blue Cross Blue Shield of Rhode Island:
Previous Approved, New Requested, and New Approved**

Small Employers

Large Employers

Insurer	Previous Approved	New Requested	New Approved
BCBSRI	1.65%	5.10%	3.67%

Insurer	Previous Approved	New Requested	New Approved
BCBSRI	3.98%	9.00%	7.87%

The premium increases for employers purchasing their coverage through BCBSRI are averages—employers will see higher and lower rates depending on demographic changes in their workforce and—in the case of large employers—their own company’s rates of medical care utilization.

Commissioner Koller’s final decision lowered BCBSRI’s new requested average premium increases from 5.10% to 3.67% for small employers and from 9.00% to 7.87% for large employers by taking the following

actions. First, OHIC disallowed requested administrative expense increases of 0.80% for small employers and 0.50% for large employers. Second, OHIC made an additional increase of no more than 0.63% for small and large employers contingent on the future filing of complete 2012 medical expense data that justifies need for this possible additional increase (described in further detail below).

“My office is charged with keeping health insurance as affordable as possible while ensuring the solvency of the state’s insurers,” said Commissioner Koller. “Given these twin responsibilities, I am conditionally approving BCBSRI’s unusual mid-year request because I have found the threat to the company’s financial condition, resulting from unanticipated increased medical expenses, to be credible. These increases are necessary to address this threat.”

BCBSRI estimated a 2012 commercial group operating loss of \$40.7 million, which it asserted would reduce its reserves to \$246 million. The target BCBSRI reserve level set by OHIC currently equates to \$358 million. BCBSRI also estimated that if OHIC were to have denied its increase request entirely, its reserves would have dropped to \$232 million by the end of 2013—putting it on a path toward serious financial instability.

Commissioner Koller added, “With that said, it is also my view that employers cannot be expected to bear these increased average premiums without the assurance of more collective accountability for reform from BCBSRI and the providers with whom it contracts. That is why I am making my approval conditional on BCBSRI’s agreement to four conditions aimed at improving affordability and accountability. This will require the commitment of providers, as well as BCBSRI, to reform.”

The four conditions put into place by the final decision are as follows:

- 1. Affordable Insurance Plans:** By May 1, 2014, BCBSRI will be required to offer at least one new, affordable health insurance plan to consumers priced at least 15% less than the price of a plan with comparable benefits. The plan(s) must incorporate financial incentives for BCBSRI subscribers to use providers that have agreed with BCBSRI to offer health care services with price discounts and utilization procedures designed to achieve the plan’s affordability goal. These plan(s) can also include financial incentives for using providers affiliated with one or more health systems.
- 2. Additional 2013 Increase Criteria:** BCBSRI must file complete 2012 medical expense data by March 2013 with OHIC. If OHIC determines that it is justified by the filed data, the company may then request an additional increase of no more than 0.63% for small and large employers.
- 3. Financial Recovery Plan:** BCBSRI must file a report on its financial recovery plan on a quarterly basis in 2013 to ensure that it is making adequate progress in addressing its financial condition.
- 4. Monitoring:** BCBSRI must meet with OHIC on a quarterly basis to review its compliance with the affordable insurance plans condition, above.

Commissioner Koller continued, “As I have repeatedly said, health insurance continues to be expensive—too expensive—because the underlying cost of health care itself is expensive. With the work we are doing in Rhode Island to transform primary care, build health information technology, engage consumers, coordinate care, and

implement provider payment reform, now is the time for lower cost plans for consumers to be offered. Change from all stakeholders—insurers, providers, and consumers—will be required to produce demonstrable results.”

For more information on the details of the December 2012 BCBSRI submission final decision, please visit www.ohic.ri.gov.

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About the State of Rhode Island Office of the Health Insurance Commissioner

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

1. Protecting consumers
2. Guarding the solvency of health insurers
3. Encouraging the fair treatment of health care providers
4. Improving the health care system as a whole

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