

## 2020 Health Insurance Premium Rate Review Process Large Employer Group Summary for Rates Effective in 2021

The following table provides information on the rate components and key assumptions behind premium development for the large group market filed by Blue Cross Blue Shield of Rhode Island (BCBSRI), Tufts Health Plan (Tufts), UnitedHealthcare (United), Aetna Life Insurance Company (Aetna), and Cigna Health and Life Insurance Company (Cigna) as part of the Office of the Health Insurance Commissioner's (OHIC) 2020 rate review process (for rates effective in 2021). These rate increases are comprised of the following rate components: (1) medical expenses, (2) administrative costs, and (3) contributions to reserves and/or profit. Rate components affect the rates that are charged to large employers and the resulting average increase represents a maximum average increase that, if approved, the insurers are committed not to exceed. Please see our 2020 Rate Review Process Public Comment Solicitation for more information about the rates and this process. OHIC is currently reviewing these assumptions. This review process will culminate in a final decision by the Health Insurance Commissioner approving, modifying, or rejecting the requested rates. For more information on the rate review process or information about rates filed in the individual or small group markets, please visit <http://www.ohic.ri.gov/ohic-formandratereview.php>.

There are 97,119 consumers enrolled in large group market plans (data as of March 2020). This represents 50.3% of the fully-insured market (individual, small group, and large group markets).

- The **Average Expected Premium Increase** represents the average expected percentage change in premiums from one year to the next, holding benefits constant, across all employers that are up for renewal within a given market. This average expected premium increase is comprised of many rating factors including the employer's existing experience.
- The **Medical Expense Trend Assumption** is the annualized rate of increase due to increases in the unit cost of services and in the utilization of services. This includes both medical and pharmacy services. Because rates are generally based on the calendar year 2019 experience adjusted for trend, the expected experience underlying the 2021 rates is projected using two years of medical expense trend.
- The **Non-Medical Portion of Premium** represents the percent of overall premium that is required to cover administrative expense, contribution to reserves and required taxes and fees, including premium taxes and ACA fees (note, the health insurance tax has been suspended for 2021 and beyond).

### Large Group Requested Rate Components – Requested Amount (Data as of July 21, 2020)

	BCBSRI	Tufts HMO	Tufts PPO	United	Aetna	Cigna
Average Expected Premium Increase	5.2%	10.7%	9.6%	9.3%	-0.3%	0.6%

### Large Group Requested Rate Components – Medical Expense Trend Assumptions <sup>i</sup>

	BCBSRI	Tufts HMO	Tufts PPO	United	Aetna	Cigna
Hospital Inpatient	3.1%	4.2%	4.2%	4.7%	12.1%	-3.7%
Hospital Outpatient	6.6%	8.8%	8.8%	8.5%	9.9%	-0.4%
Professional	6.1%	8.1%	8.1%	5.8%	7.3%	6.2%
Other Medical	6.1%	5.1%	5.1%	3.0%	9.9%	11.1%
Capitation	0.0%	2.8%	2.8%	5.6%	0.0%	3.7%
Prescription	<u>6.5%</u>	<u>11.0%</u>	<u>11.0%</u>	<u>10.4%</u>	<u>10.4%</u>	<u>7.8%</u>
Subtotal Excl. Leverage	6.0%	7.9%	7.9%	7.1%	9.7%	5.0%
Leverage	<u>0.8%</u>	<u>1.1%</u>	<u>1.1%</u>	<u>1.3%</u>	<u>1.2%</u>	<u>1.0%</u>
Total Incl. Leverage	6.8%	9.0%	9.0%	8.5%	10.9%	6.0%

### Large Employer Requested Rate Components – Non-Medical Portion of Premium

	BCBSRI	Tufts HMO	Tufts PPO	United	Aetna	Cigna
Administrative Expense	11.5%	10.9%	10.9%	7.1%	6.0%	7.4%
Affordable Care Act (ACA) Fees <sup>ii</sup>	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
State Premium Tax	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Other Retention Charge	0.0%	0.0%	0.0%	0.0%	1.2%	1.4%
Contribution to Reserves as a Percent of Premium	1.5%	1.0%	1.0%	3.0%	5.2%	4.5%

<sup>i</sup> Trend assumptions exclude impact of aging or demographic changes.

<sup>ii</sup> Represents costs associated with ACA's taxes and fees. The health insurance tax has been suspended for 2021 and beyond.