

Direct Pay Data Request - 2010

AG

AG1 - 14

We note that Blue Cross has again included a component to premium to fund a new "core system."

- (a) What is the current status of the project implementation? When is full implementation expected to be completed?
- (b) How is the amount of the premium component determined? Please provide a schedule of system cost investments and premium projections that support the level of the proposed premium component.
- (c) Please provide a history of monthly cash outlays and monthly incurred expenses (as reflected in statutory financials) on this effort from inception to date.

Person Responsible: Fogerty.D

Answer:

A) Project implementation is slightly less than 2/3 complete. The full implementation is expected to be completed in December 2012.

B)

(b)(1)

SYSTEM REPLACEMENT PROJECT
2008 - 2026
RATE IMPACT
(\$ Millions)

	Premium & Premium Equ	Rate Recovery	Rate Impact	Premium Increase
2008	\$2,585	\$2.1	0.08%	
2009	2,513	8.5	0.34%	-2.77%
2010	2,520	8.6	0.34%	0.27%
2011	2,590	8.8	0.34%	2.76%
2012	2,734	9.3	0.34%	5.58%
2013	2,918	9.9	0.34%	6.71%
2014	3,093	10.5	0.34%	6.00%
2015	3,279	11.1	0.34%	6.00%
2016	3,475	11.8	0.34%	6.00%
2017	3,684	12.5	0.34%	6.00%
2018	3,905	13.3	0.34%	6.00%
2019	4,139	14.1	0.34%	6.00%
2020	4,388	14.9	0.34%	6.00%
2021	4,651	15.8	0.34%	6.00%
2022	4,930	16.8	0.34%	6.00%
2023	5,226	17.8	0.34%	6.00%
2024	5,539	18.8	0.34%	6.00%
2025	5,872	20.0	0.34%	6.00%
2026	6,224	2.6	0.04%	6.00%
		\$227.3		

CY 2008 - 2009 Premium and Premium Equivalents are actual
CY 2010 - 2013 Premium based on 2011 Plan
CY 2014 - 2026 Premium assumes an annual 6% increase.
Total Project Cost is estimated at \$238M.
\$227.3M estimated to be recovered through reserve inclusion.
\$10.7M in costs included in ongoing rates.

(b)(2)

BCBSRI has created specific cost centers to capture all expenditures related to the new "core system". Expenses are verified and validated on a monthly basis to ensure that expenses have not been miscoded. When the project is completed, BCBSRI will determine the final total that is to be recovered. The premium component that has been established to cover this expenditure will be adjusted as necessary to ensure that the total recovery is limited to the total expense.

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BlueTransIT Monthly Spend
March 2007 - November 2010
(\$ Millions)

	2007	2008	2009	2010
January		\$0.5	\$4.1	\$2.6
February		\$1.5	\$5.0	\$2.6
March	\$0.1	\$1.4	\$6.6	\$5.7
April	\$0.2	\$1.5	\$7.7	\$3.0
May	\$0.1	\$3.7	\$6.5	\$3.2
June	\$0.4	\$3.1	\$7.3	\$3.3
July	\$0.0	\$3.8	\$7.4	\$3.6
August	\$0.3	\$5.1	\$7.4	\$3.9
September	\$0.1	\$4.8	\$6.3	\$3.9
October	\$0.2	\$4.4	\$5.5	\$4.2
November	\$0.7	\$4.8	\$5.0	\$3.7
December	\$7.5	\$8.4	\$4.5	
Total	<u>\$9.7</u>	<u>\$43.0</u>	<u>\$73.2</u>	<u>\$39.6</u>
Total Spend Since Project Inception				<u><u>\$165.5</u></u>

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12/17/2010