

Direct Pay Data Request - 2010

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On pages 14 and 15 of his testimony, Mr. Lynch talks about the state premium tax and assessments and also comments that last year OHIC excluded these charges from the premium calculation. What has changed since then to support Blue Cross's contention that these charges should be included in the rates? What evidence in the current filing supports Blue Cross's position?

Person Responsible: Lynch.J

Answer:

As discussed in the pre-filed testimony of John Lynch, the state premium tax and state assessments are direct costs levied on Blue Cross based on premiums written, including premium for Class DIR. Since subscription premiums are the only mechanism available to collect the revenue to cover these assessments, Blue Cross has no choice but to pass these charges onto their subscribers in the premium rates charged. Despite the fact that Blue Cross was denied the ability to assess these charges in Class DIR rates by the OHIC in last year's rate filing decision, these costs do not simply go away. If Blue Cross were continued to be denied a mechanism to collect these taxes and assessments from Class DIR subscribers, it would force Blue Cross to assess subscribers in other market segments a disproportionate share of these fees. Not only does this cause the rates for these subscribers to be higher than necessary, but it also puts Blue Cross at a competitive disadvantage in the group market, since Blue Cross is the only insurer writing business in Direct Pay.

The state assessments are used to fund three worthy programs in Rhode Island. The child immunization program provides free vaccines to healthcare providers for children from birth through 18 years of age. The adult immunization program provides seasonal influenza and pneumococcal vaccine to adults. The Children's Health Account provides certain services for children with special health care needs. The child immunization, adult immunization, and children's health account are state administered programs that benefit all Rhode Islanders, including Class DIR members. Our claim records indicate that between June 2009 and May 2010 about 4,000 Class DIR members (2,300 adults and 1,700 children) directly benefited from the medical services funded by these state assessments. Funding for these programs is through a direct premium assessment on Rhode Island health insurers, in lieu of claims expenses that would otherwise be incurred by insured members.

Before last year's decision, the OHIC had consistently approved the rating components for these assessments in Class DIR. It should also be noted that the Attorney General's own consulting actuary did not recommend the removal of these rating components in last year's filing.

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- c. N. Benoit, Esquire
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12/08/2010