



## Standards for Rate Factor Review: Health Plan Evaluation

As set out in statute, OHIC must determine whether the proposed rates or rating formulas are “consistent with the proper conduct of [the insurer’s] business and with the interest of the public”. OHIC has defined this standard further, based on statute (RI General Laws: 42-14.5-2) in its [Regulation 2](#).

Standards for OHIC to Consider	BCBSRI	United	Tufts
<b>Contributions to Reserves (%)</b>			
<b>Requested:</b>	3.3%	2.5% (Small) & 2.2% (Large)	0%
1. Existing Surplus as percentage of Revenue relative to OHIC determined reserve levels <sup>i</sup>	15% vs 23-28% recommended (CT Median- 17%; MA Median– 19%)	26% vs no specified range but adequate	Reserve adequacy is responsibility of Massachusetts
2. Requested contribution relative to regional Industry averages	MA 2010 median profit :+ .7%; CT Median: + 5.1%, 2010 performance: BCBSRI: - 8.4%; UHCNE: - .1 <sup>ii</sup>		
3. Historical performance of plan relative to approved margin <sup>iii</sup>	Five point negative performance in 09 and 10 compared to approved.	3 point negative performance in 10, two point positive in 09.	4.5 point positive performance in 10.
4. Return to shareholders (if appropriate)	NA	State Law is silent	NA
5. General conduct of health plans (defined in Reg 2)	see separate assessment below		
<b>Admin Costs</b> (total pmpm and as % of total revenue)			
<b>Requested:</b>	Small: \$73.54 pmpm (14.6%) Large: \$60.80 pmpm (12.7%)	Sm: \$60.20 pmpm (13.3%) Lg: \$58.82 pmpm (12.8%)	Sm: \$60.37 pmpm (13.5%) Lg: \$58.14 pmpm (13%)
1. Other health plans for comparable products. Other commercial products from same insurer	All data are actual 2010 from filed financials combined large and small: <sup>iv</sup> <ul style="list-style-type: none"> <li>○ BCBSRI \$58.34 (20% of premium revenue)</li> <li>○ UHCNE \$70.19 pmpm (17.8%)</li> <li>○ MA Median \$41.17 pmpm (11.2%)<sup>v</sup></li> <li>○ CT Median \$95.51 pmpm (12.2%)</li> </ul>		
2. Compliance with NAIC categorization of costs	Yes	Yes	Yes
3. (Admin) Affordability efforts (Reg 2)	2010 actual lower than 2009	New, lower, administrative allocation to parent	Similar to Mass parent
4. General conduct (defined in Reg 2)	See separate assessment below		
5. Historical Costs relative budget	Six to seven dollars pmpm over approved rate 2010. Significantly more in 2009.	\$3 pmpm below sm group approved rate in both 2009 & 2010. \$9 PMPM below approved lg group rates in 2009 & equal to approved 2010 rate	No data submitted – similar to Mass parent.

<b>Trend factors</b> (% annual projected change in <u>utilization</u> and <u>costs</u> for five medical service categories)			
	<ul style="list-style-type: none"> <li>○ Overall Medical Trend<sup>vi</sup>:               <ul style="list-style-type: none"> <li>○ Small: 8.7%</li> <li>○ Large: 8.7%</li> </ul> </li> <li>○ Requested MLR:               <ul style="list-style-type: none"> <li>○ Small: 82.1%</li> <li>○ Large: 84.0%</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>○ Overall Medical Trend:               <ul style="list-style-type: none"> <li>○ Small: 12.2%</li> <li>○ Large: 12.9%</li> </ul> </li> <li>○ Requested MLR:               <ul style="list-style-type: none"> <li>○ Small: 84.2%</li> <li>○ Large: 85.0%</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>○ Overall Medical Trend               <ul style="list-style-type: none"> <li>○ Small: 7.8%</li> <li>○ Large: 7.8%</li> </ul> </li> <li>○ Requested MLR:               <ul style="list-style-type: none"> <li>○ Small: 86.5%</li> <li>○ Large: 87.0%</li> </ul> </li> </ul>
1. Actuarial soundness		Includes three and eight percentage point addition for previous rate insufficiency.	
2. Other health plans in market, based on public submission		Markedly higher for Hospital IP, OP, Other Medical	
3. Commercial industry standards	With exception of physician RI requested trend rates are the same as or lower than most recent filings in CT and MA. BCBSRI – 88.5%, CT Median – 80.2%, MA Median – 87.4%		
4. Governmental Health Care Programs (i.e. Medicare and Rite Care)	Rite Care Premium trend historically at @7%		
5. Affordability Efforts (as defined in Reg 2)	See separate analysis		
6. Alignment of the affordability report with “Affordability Priorities and Standards” document from OHIC’s Health Insurance Advisory Council.	Has documented efforts to comply with HIAC’s four affordability standards.	Has documented efforts to comply with HIAC’s four affordability standards.	Has documented efforts to comply with HIAC’s four affordability standards. Some limitations based on small market share.
7. (additional) Historical performance relative to approved amounts	In 2010, loss ratio was four–five points higher than approved. In 2009 it was 1-2.	In 2010 loss ratio was three –five points higher than approved. 2009 performance was mixed	No information available
<b>General Conduct of Plans (From OHIC Reg2)</b>			
1. Benefits and Payment Policies to enhance affordability 2. Dissemination of information relating to affordability 3. Collaboration to standardize administrative practices 4. Directing Resources towards health systems improvements 5. Participation in public policy development 6. Protecting the Interests of Consumers 7. Assuring Fair Treatment of Providers	See separate OHIC analysis of plan contracting practices, survey of health plan investments, and survey of Providers		

<sup>i</sup> Source: Wakely Report for OHIC

<sup>ii</sup> Source: Wakely Report for OHIC. Based on filed financials and excludes non operating revenue; not directly comparable to requested contributions..

<sup>iii</sup> This variation is a measure of overall plan performance and/or rate adequacy, not the accuracy of approved margin.

<sup>iv</sup> Source: Wakely Report to OHIC

<sup>v</sup> Plans report increase of six to seven dollars pmpm in taxes and licensing fees since 2005. MA and CT fees are thought to be less.

<sup>vi</sup> See Rate Factor Template for trend by category