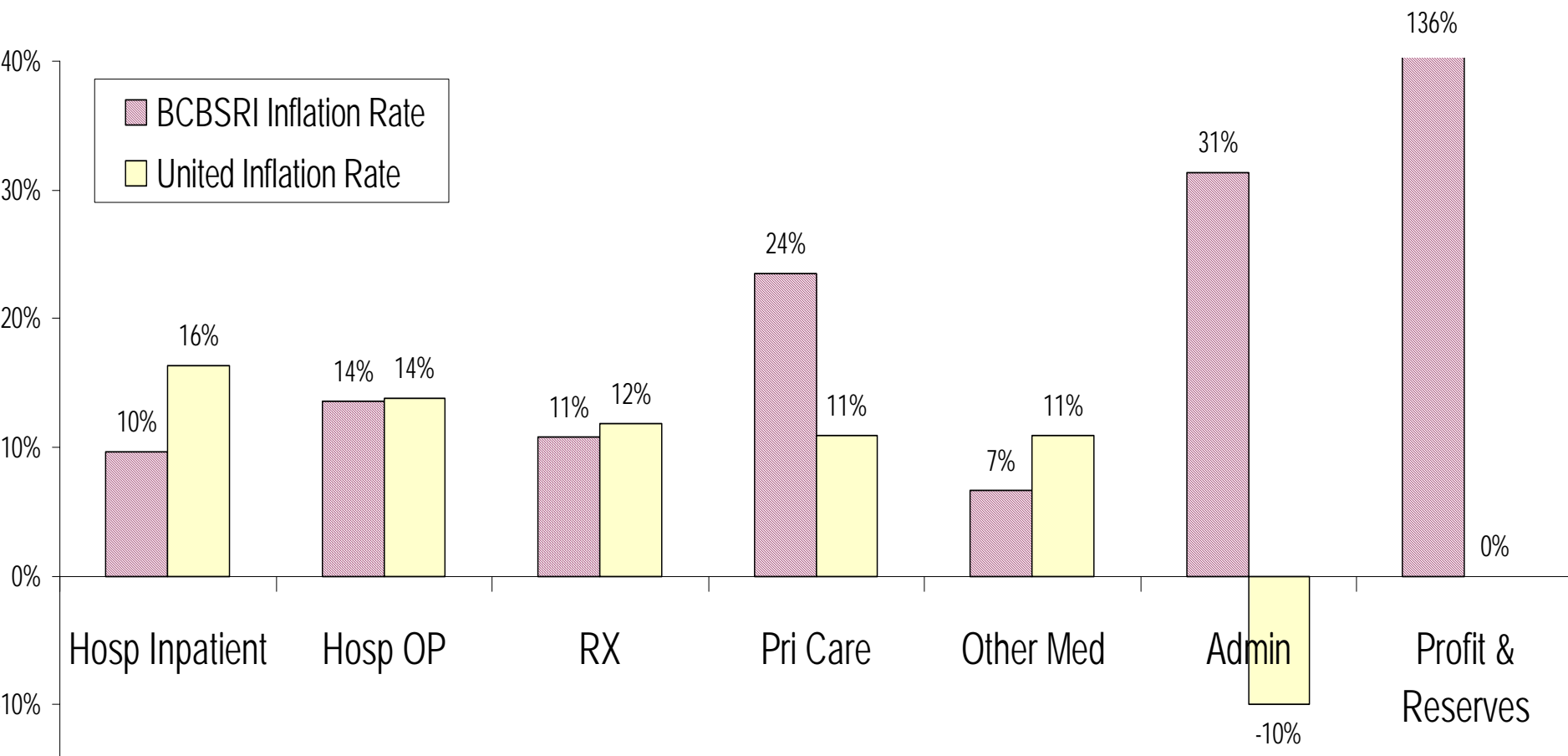


2009 Commercial Rhode Island Health Insurance Rate Factors:

Expense Driver Analysis

Large Group Filing: Where would premium go?

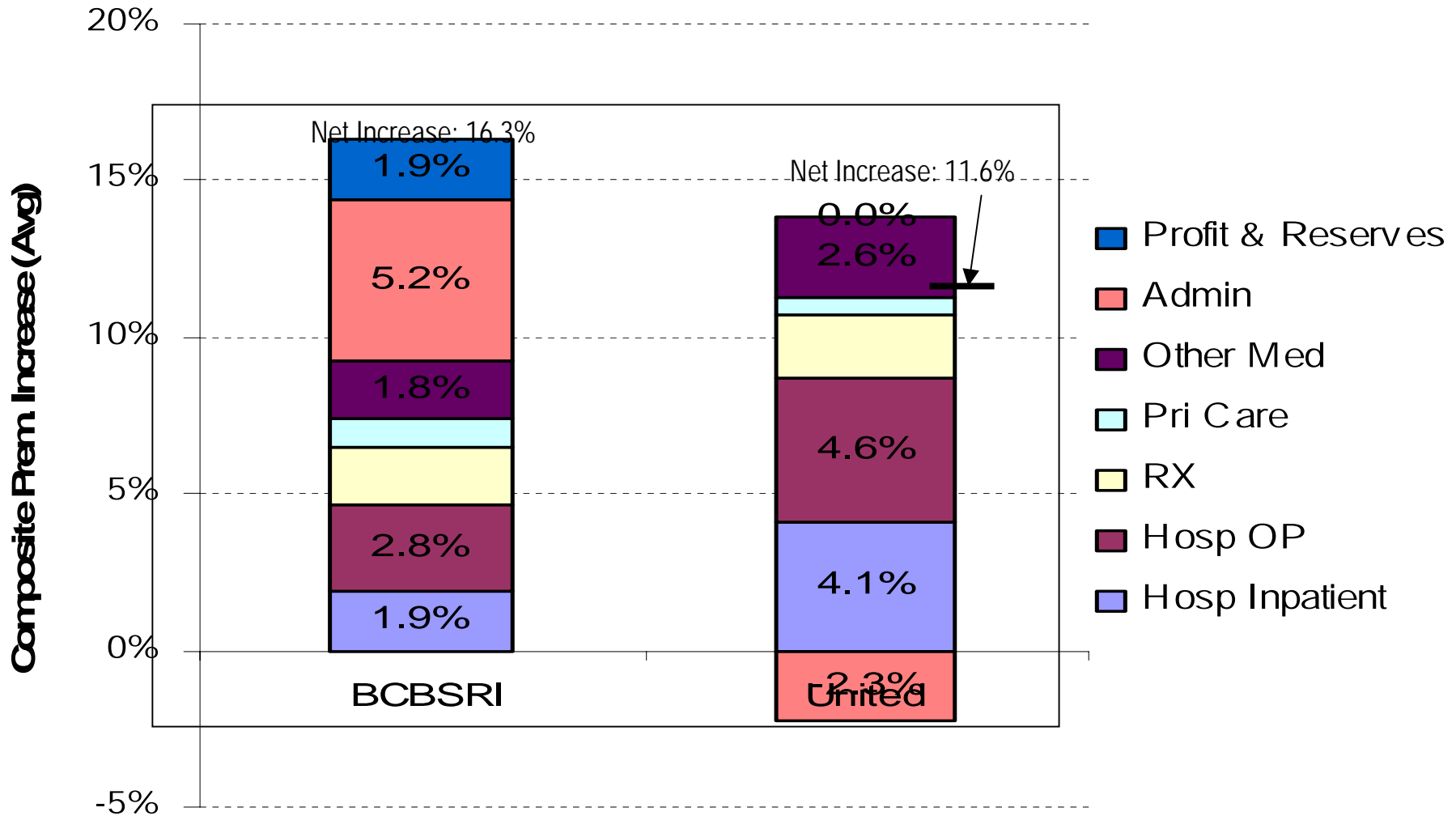
Proposed Rate of Premium Increase (OHIC est): United 11.6%; BCBSRI: 16.3%



% of Premium (BCBSRI)	
Hosp Inpatient	18%
Hosp OP	19%
RX	16%
Pri Care	3%
Other Med	25%
Admin	15%
Profit & Reserves	3%

Source: OHIC Analysis of 2009 health plan rate factor filings. Comparison is 2008 approved factors. Tufts omitted because no 2008 submission available.

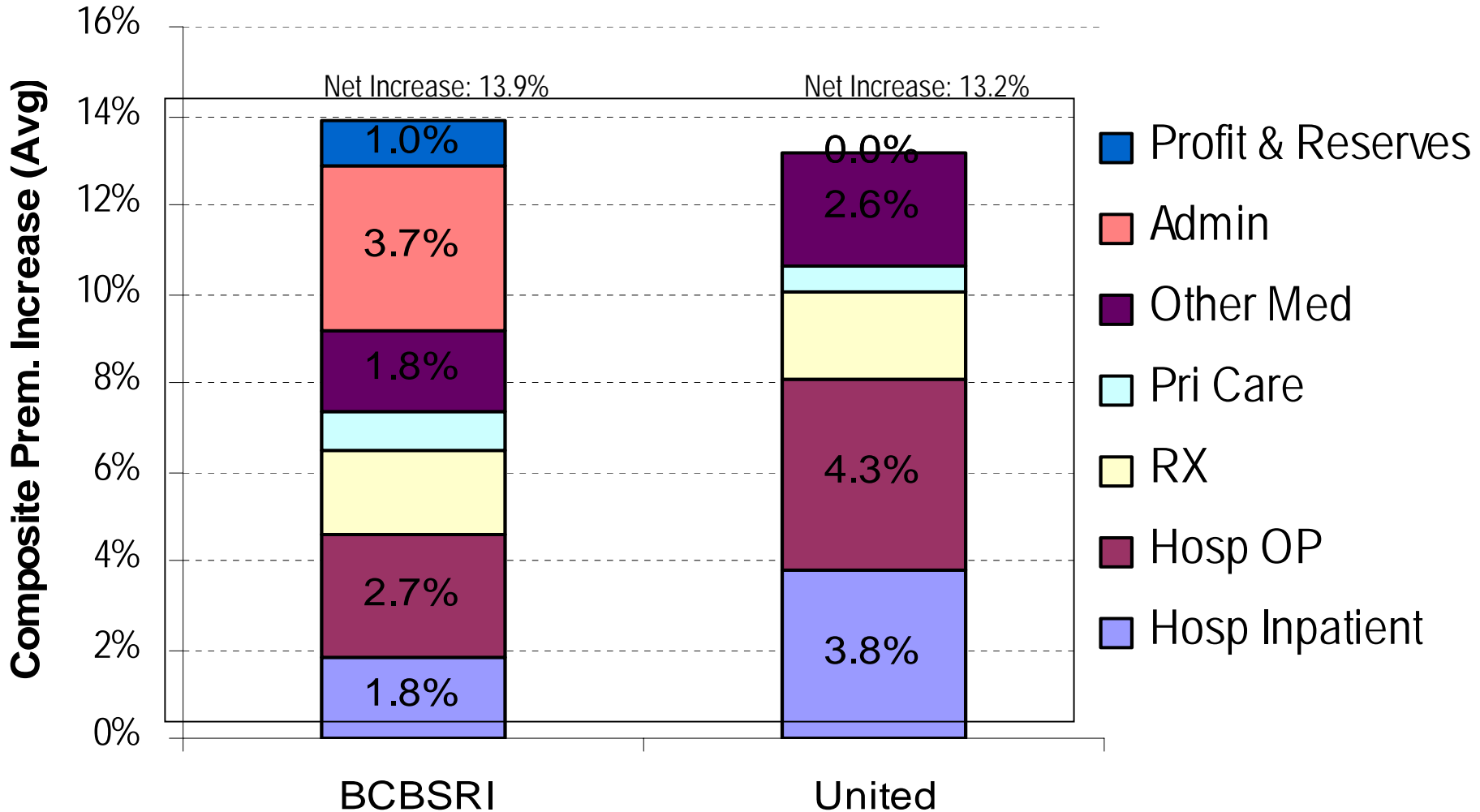
Contributions by Cost Category to Proposed Large Group Premium Increase: 2009



Source: OHIC analysis of 2009 health plan rate factor filings. Comparison is 2008 approved factors. Tufts omitted because no 2008 submission available.

Contributions by Cost Category

to Proposed Small Group Premium Increase: 2009



Source: OHIC analysis of 2009 health plan rate factor filings. Comparison is 2008 approved factors. Tufts omitted because no 2008 submission available.

Blue Cross & Blue Shield of Rhode Island

REVENUES & EXPENSES

OPERATING RATIOS NET OF REINS. BY LINE OF BUSINESS	Medical Loss Ratio 2008	Industry Avg.	Admin. Expense Ratio 2008	Industry Avg.	Combined Ratio 2008	Industry Avg.	Profit Margin	Industry Avg.
Commercial	83.40%	87.4	16.20%	12.1	99.60%	99.5	0.40%	0.50%
Medicare Supplement	82.20%	85	11.80%	15.2	94.00%	100.2	6.00%	-0.20%
Vision		77.9		11.1		89	N/A	11.00%
Dental	85.00%	82.2	8.60%	14.3	93.60%	96.6	6.40%	3.40%
FEHBP	92.60%	94.6	6.00%	4.9	98.60%	99.5	1.40%	0.50%
Medicare	83.30%	88.7	8.30%	9	91.60%	97.7	8.40%	2.30%
Medicaid	89.50%	90.5	12.90%	11.2	102.40%	101.7	-2.40%	-1.70%
Other	82.80%	80.3	12.30%	5	95.10%	85.2	4.90%	14.80%
Other Non-Health	N/A	N/A		N/A		N/A	N/A	N/A
TOTAL	84.00%	88	13.30%	11	97.30%	99.1	2.70%	0.90%

United Healthcare of New England

REVENUES & EXPENSES

OPERATING RATIOS NET OF REINS. BY LINE OF BUSINESS	Medical Loss Ratio 2008	Industry Avg.	Admin. Expense Ratio 2008	Industry Avg.	Combined Ratio 2008	Industry Avg.	Profit Margin	Industry Avg.
Commercial	76.80%	86.1	16.60%	11.9	93.40%	98	6.60%	2.00%
Medicare Supplement		81.6		16.7		98.3	N/A	1.70%
Vision		74.7		17.1		91.8	N/A	8.20%
Dental		73.1		17.1		90.2	N/A	9.80%
FEHBP		88.2		9.1		97.3	N/A	2.70%
Medicare	79.30%	84.2	12.50%	10.3	91.80%	94.4	8.20%	5.60%
Medicaid	88.00%	86.6	12.40%	12	100.40%	98.5	-0.40%	1.50%
Other		80.1		9		89	N/A	11.00%
Other Non-Health	N/A	N/A		N/A		N/A	N/A	N/A
TOTAL	81.30%	85.7	13.20%	11.4	94.60%	97.1	5.40%	2.90%

Source: Ratios calculated from the Annual Statement Filings of each company.

Rating Factor	Standards for OHIC to Consider [2]
<u>Contributions to Reserves (%)</u>	<ul style="list-style-type: none"> • Existing reserves relative to OHIC determined reserve levels (see http://www.ohic.ri.gov/2006ReservesStudy.php and http://www.dbr.state.ri.us/divisions/insurance/financial.php) • Industry averages (see http://www.ohic.ri.gov/070717healthriinsurersreport.php) • Historical performance of plan relative to budget • Return to shareholders (if appropriate) • General conduct of health plans (defined in Reg 2)
<u>Admin Costs (as % of total revenue)</u>	<ul style="list-style-type: none"> • Other health plans for comparable products. (see http://www.ohic.ri.gov/070717healthriinsurersreport.php) • Other commercial products from same insurer • Compliance with NAIC categorization of costs • Affordability efforts (defined in Reg 2) • General conduct (defined in Reg 2)
<u>Trend factors (% annual projected change in utilization and costs for five medical service categories)</u>	<ul style="list-style-type: none"> • Actuarial soundness • Other health plans in market, based on public submission • Commercial industry standards • Governmental Health Care Programs (i.e. Medicare and RIte Care) • Affordability Efforts (as defined in Reg 2) • Soundness of affordability report, submitted as part of the filing. • Alignment of the affordability report with "Affordability Priorities and Standards" document from OHIC's Health Insurance Advisory Council.