

Blue Cross & Blue Shield of Rhode Island
Large and Small Group Rate Factor Filing
Administrative Costs Documentation

1. The following table gives 2009 filed and 2010 requested small and large group administrative costs pmpm

	2009		2010		%
	Filed Estimates		Actual	PMPM	
Large Group					
	% of Premium	PMPM	PMPM	Estimate	
1 Qtr	11.6%	\$44.23	\$47.93	\$65.86	
2 Qtr	11.5%	\$44.80	\$49.16	\$67.31	
3 Qtr	11.5%	\$45.22	\$52.83	\$68.71	
4 Qtr	11.5%	\$45.76	\$53.13	\$70.11	
Weighted Average			\$51.47	\$68.53	33.1%
Less Federal Tax and Investment Income Credit			(\$4.50)	(\$3.11)	-30.9%
Total Administrative Costs			\$55.96	\$71.64	28.0%
Small Group					
1 Qtr	14.2%	\$58.01	\$58.01	\$77.57	
2 Qtr	14.3%	\$59.10	\$61.11	\$79.21	
3 Qtr	14.3%	\$60.33	\$65.37	\$80.94	
4 Qtr	17.2%	\$76.12	\$76.12	\$82.71	
Weighted Average			\$66.20	\$80.26	21.2%
Less Federal Tax and Investment Income Credit			(\$4.48)	(\$3.34)	-25.6%
Total Administrative Costs			\$70.69	\$83.60	18.3%

2. The following table details the above administrative costs pmpm, allocated among the NAIC-approved administrative cost categories.

	2009		2010		% Change	
	Small	Large	Small	Large	Small	Large
Total Administrative Cost (PMPM)	\$70.69	\$55.96	\$83.60	\$71.64	18.3%	28.0%
Breakdown of Administrative Costs (\$ PMPM)						
a. Payroll and Benefits	\$30.82	\$21.14	\$34.75	\$25.59	12.7%	21.1%
b. Outsourced Services	\$22.30	\$19.87	\$25.14	\$24.05	12.7%	21.1%
c. Auditing/Consulting	\$4.42	\$3.79	\$4.98	\$4.59	12.7%	21.1%
d. Commissions	\$8.33	\$5.30	\$9.77	\$5.81	17.3%	9.6%
e. Marketing and Advertising	\$1.21	\$0.90	\$1.36	\$1.09	12.7%	21.1%
f. Legal Expenses	\$0.36	\$0.23	\$0.41	\$0.28	12.7%	21.1%
g. Taxes, Licenses and Fees	\$7.95	\$6.90	\$8.92	\$9.25	12.2%	34.2%
h. Reimbursements by Uninsured Plans	(\$18.96)	(\$14.60)	(\$19.80)	(\$15.86)	4.4%	8.7%
i. Other Admin Expense Total	\$14.26	\$12.43	\$18.07	\$16.83	26.7%	35.4%

Blue Cross & Blue Shield of Rhode Island
Large and Small Group Rate Factor Filing
Administrative Costs Documentation

Please refer to the Exhibit V Supplement included with this filing for a full explanation of the significant changes in administrative costs.

3.

Fully Insured Commercial Administrative Cost History				
	2005	2006	2007	2008
Total Administrative Cost	121,480	130,878	147,839	175,358
Total Member Months	3,419	3,443	3,370	3,085
Administrative Cost PMPM	\$35.54	\$38.01	\$43.87	\$56.85
Breakdown of Administrative Expenses (\$ PMPM)				
a. Payroll and Benefits	\$21.00	\$22.15	\$23.95	\$24.97
b. Outsourced Services (EDP, Claims, etc.)	\$13.28	\$16.17	\$21.74	\$23.87
c. Auditing/Consulting	\$2.92	\$3.08	\$2.96	\$8.23
d. Commissions	\$4.92	\$5.36	\$5.42	\$5.99
e. Marketing/Advertising	\$0.91	\$0.83	\$0.81	\$0.98
f. Legal Expenses	\$1.02	\$0.39	\$1.01	\$0.33
g. Taxes, Licenses and Fees	\$0.09	\$0.21	\$0.14	\$3.68
h. Reimbursements by Uninsured Plans	(\$17.95)	(\$18.36)	(\$18.70)	(\$20.19)
i. Other Admin Expenses	\$9.34	\$8.18	\$6.54	\$8.99