



News

For Immediate Release

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OHIC Issues Direct Pay Rate Order: Rate Decrease of 1.1% Approved

Cranston, RI February 21, 2012 — The Health Insurance Commissioner, Christopher F. Koller, issued his decision on the requested rate increase for Direct Pay Products issued by Blue Cross and Blue Shield of Rhode Island (BCBSRI), lowering the effective overall average rate increase of 2.4% requested by BCBSRI to an estimated 1.1% decrease.

Following an Administrative Hearing, Koller accepted a hearing officer's recommendation to change the following factors:

- The base period from which future trends were calculated
- A lower anticipated rate of utilization of hospital services by Direct Pay enrollees.
- Lower allowed administrative costs for the product.

Blue Cross had previously voluntarily reduced its originally filed 4.4% increase by two percentage points, based on new pharmacy contracts. The filing by Blue Cross assumed no profit – or contribution to reserves – from the Direct Pay products.

The rate decreases go into effect for enrollees renewing their coverage on or after April 1 and unlike previous rates will be in effect for 18 months – until the implementation of Federal Health Reform. The decreases also are an average – some subscribers will see increases and some greater decreases.

The rate changes will be for significantly different products for Direct Pay subscribers. Concurrent with this filing, Blue Cross announced its plans to change all its Direct Pay Products, offering benefit designs intended to be more similar with the products it sells in its small employer and large employer markets. In every instance the products will involve greater cost sharing of medical services for enrollees. The new products – some of which contain subscriber incentives for wellness and preventive care - on average will cover about 93 percent of the medical costs covered by the previous products.

Finding that the proposed set of products proposed to be offered by Blue Cross emphasized high cost sharing products, and failed to offer subscribers adequate product choice with respect to cost sharing options, Koller also ordered Blue Cross to develop an additional product with less cost sharing - consistent with the array of products envisioned to be available to individuals under the Affordable Care Act.

In accepting the hearing officer’s recommendation, Koller said “Blue Cross has responded to several issues identified in last year’s filing and continues to work to improve the long term affordability of health care in Rhode Island. While lower up front rates that will be in effect for a year and half are welcome for Direct Pay subscribers, I am concerned with the level and type of cost sharing assumed in the products being introduced. As January 1, 2014 approaches, the Office’s order starts to align Rhode Island’s individual health insurance market with what is envisioned under the Affordable Act.

Blue Cross may accept the decision of the Health Insurance Commissioner or appeal it in Court.

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About Direct Pay

Direct Pay is individual and family insurance for subscribers who have no access to employer-based insurance. Currently there are approximately 14,000 Direct Pay subscribers and dependents who have a choice of products. They can be

enrolled one of two pools, depending on their medical history – people in the healthy pool (“Pool II”) subsidize the costs of care of people in Pool I. BCBSRI is the only health insurance provider in this market, and by law the rates they charged are reviewed and approved by OHIC in a rate hearing process. After implementation of the Affordable Care Act, the size of the individual health insurance market in Rhode Island, the array of products available and their pricing will change considerably.

About the Office of the Health Insurance Commissioner

The Office of the Health Insurance Commissioner (OHIC) was established by legislation in 2004 to broaden the accountability of health insurers operating in the state of Rhode Island. Under this legislation, the Office is dedicated to:

1. Protecting consumers
2. Encouraging fair treatment of medical service providers
3. Ensuring solvency of health insurers
4. Improving the health care system’s quality, accessibility and affordability

The Office sets and enforces standards for health insurers in each of these four areas.

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