

2016 Health Insurance Premium Rate Review Process Individual Essential Health Benefits Base Rate Summary

The following table depicts the Essential Health Benefits (EHB) base rate, the overall weighted average increase, and the key assumptions behind premium development for the individual market filed by Blue Cross Blue Shield of Rhode Island (BCBSRI) and Neighborhood Health Plan of Rhode Island (NHPRI) as part of the Office of the Health Insurance Commissioner's (OHIC) 2016 rate review process (for rates effective in 2017). This information is subject to change as the rate review process continues. Please see our 2016 Rate Review Process Public Comment Solicitation for more information about the rates and this process.

OHIC is currently reviewing these assumptions. This review process will culminate in a final decision by Commissioner Kathleen C Hittner approving, modifying, or rejecting the requested rates. For more information on the rate review process or information about rates filed in the small group or large group markets, please visit <http://www.ohic.ri.gov/ohic-formandraterreview.php>.

There are approximately 46,000 consumers enrolled in individual market plans with these carriers (data as of March 2016). This represents 20% of the fully-insured market (individual, small group, and large group markets).

- The **EHB base rate** represents the monthly average rate for a hypothetical plan with no cost-sharing for a 21-year old for a given insurer in a given market. Essential Health Benefits are a set of benefits that must be covered by plans, as called for in the Affordable Care Act.
- The **Overall Weighted Average Rate Increase** represents adjustments to reflect the benefits in plans, including modifications to prior year benefits and pricing and it includes terminated plans. This weighted average rate increase represents the average rate that consumers will experience. The **range of rate changes** represents variation by plan benefits. It does not include the effect of changes in age.
- The **Medical Expense Trend Assumption** is the annualized rate of increase due to increases in the unit cost of services and in the utilization of services. Because rates are generally based on the calendar year 2015 experience adjusted for trend, the expected experience underlying the 2017 rates is projected using two years of medical expense trend.
- The **Non-Medical Portion of Premium** represents the percent of overall premium that is required to cover administrative expense, contribution to reserves and required taxes and fees, including premium tax, ACA fees (0% because they were suspended for 2017) and HealthSource RI Exchange Fees.

Individual Market Rate Request Summary – Requested Amounts (Data as of June 14, 2016)

	BCBSRI	NHPRI
EHB Base Rate ¹	\$392.76	\$282.93
EHB Base Rate Change from 2016	7.8%	-9.4%
Overall Average Weighted Rate Change ²	9.0%	-5.0%
Range of Average Weighted Rate Change	3.6% to 11.7%	-8.5% to -0.4%

Individual Market Rate Request Summary – Medical Trend Assumptions (Data as of June 14, 2016)

	BCBSRI	NHPRI
Hospital Inpatient	2.7%	2.7%
Hospital Outpatient	4.4%	3.7%
Primary Care	10.9%	5.4%
Other Medical/Surgical	6.2%	5.4%
Prescription Drug	11.8%	9.6%
Capitation	0.0%	0.0%
Total Weighted Trend	6.4%	5.1%

Individual Market Rate Request Summary – Risk Adjustment Assumption (Data as of June 14, 2016)

	BCBSRI	NHPRI
Risk Adjustment Assumption ³	-7.8%	47.5%

Individual Market Rate Request Summary – Non-Medical Portion of Premium (Data as of June 14, 2016)

	BCBSRI	NHPRI
Administrative Expense	9.7%	18.5%
ACA Fees ⁴	0.0%	0.0%
State Premium Tax	2.0%	2.0%
Contribution to Reserves	3.0%	3.0%
HealthSource RI Assessment ⁵	2.3%	7.1%

¹ Represents the monthly average rate for a hypothetical plan (no member cost sharing) for a 21-year old for a given insurer in a given market, excluding the cost of pediatric dental.

² Represents adjustments to reflect the benefits in plans, including modifications to prior year benefits and pricing and terminated plans. This weighted average rate change represents the average rate change that consumers will experience.

³ Represents an adjustment to reflect the ACA's risk adjustment program which redistributes funds from carriers with lower-risk enrollees to plans with higher-risk enrollees.

⁴ Represents costs associated with ACA's taxes and fees. Congress suspended the Health Insurer Tax for calendar year 2017. The Patient-Centered Outcomes Research Trust Fund (PCORI) fee is negligible and represents less than a tenth of a percent in this calculation.

⁵ Represents the assessment being charged to fund the ongoing operations of RI's state-based insurance marketplace, HealthSource RI.



2016 Health Insurance Premium Rate Review Process Large Employer Group Submission Summary

The following table provides information on the rate components and key assumptions behind premium development for the large group market filed by Blue Cross Blue Shield of Rhode Island (BCBSRI), Tufts Health Plan (Tufts), and UnitedHealthcare (United) as part of the Office of the Health Insurance Commissioner's (OHIC) 2016 rate review process (for rates effective in 2017). These rate increases are comprised of the following rate components: (1) medical expenses, (2) administrative costs, and (3) contributions to reserves and/or profit. Rate components affect the rates that are charged to large employers and the resulting average increase represents a maximum average increase that, if approved, the insurers are committed not to exceed. Please see our 2016 Rate Review Process Public Comment Solicitation for more information about the rates and this process. OHIC is currently reviewing these assumptions. This review process will culminate in a final decision by Commissioner Kathleen C Hittner approving, modifying, or rejecting the requested rates. For more information on the rate review process or information about rates filed in the individual or small group markets, please visit <http://www.ohic.ri.gov/ohic-formandraterereview.php>.

There are 116,000 consumers enrolled in large group market plans (data as of March 2016). This represents 53% of the fully-insured market (individual, small group, and large group markets).

- The **Average Expected Premium Increase** represents the average expected percentage change in premiums from one year to the next, holding benefits constant, across all employers that are up for renewal within a given market. It is weighted by employer size. This average expected premium increase is comprised of rate factors that are applied to the employer's existing experience.
- The **Medical Expense Trend Assumption** is the annualized rate of increase due to increases in the unit cost of services and in the utilization of services. Because rates are generally based on the calendar year 2015 experience adjusted for trend, the expected experience underlying the 2017 rates is projected using two years of medical expense trend.
- The **Non-Medical Portion of Premium** represents the percent of overall premium that is required to cover administrative expense, contribution to reserves and required taxes and fees, including premium taxes and ACA fees.

Large Group Requested Rate Components – Requested Amount (Data as of June 14, 2016)

	BCBSRI	Tufts HMO	Tufts PPO	United
Average Expected Premium Increase	8.90%	4.80%	4.30%	5.30%
Range of Average Expected Premium Increase	3.9%- 13.9%	4.4%- 6.0%	3.2%- 7.1%	5.3%- 5.3%

Large Group Requested Rate Components – Medical Expense Trend Assumptions (Data as of June 14, 2016)

	BCBSRI	Tufts HMO	Tufts PPO	United
Hospital Inpatient	3.85%	3.00%	3.00%	2.30%
Hospital Outpatient	5.53%	3.40%	3.40%	7.00%
Primary Care	12.15%	3.50%	3.50%	5.10%
Other Medical/Surgical	7.42%	2.20%	2.20%	4.40%
Prescription Drug	11.65%	14.9%	14.9%	13.40%
Capitation	0.00%	0.00%	0.00%	3.40%
Total Weighted Medical Expense Increase	7.16%	5.10%	5.10%	6.50%

Large Employer Requested Rate Components – Non-Medical Portion of Premium (Data as of June 14, 2016)

	BCBSRI	Tufts HMO	Tufts PPO	United
Administrative Expense	10.50%	12.30%	9.70%	9.00%
Affordable Care Act (ACA) Fees ⁵	0.70%	0.45%	0.45%	0.00%
Contribution to Reserves as a Percent of Premium	3.30%	0.00%	0.00%	3.00%

⁵ Represents costs associated with ACA's taxes and fees. Congress suspended the Health Insurer Tax for calendar year 2017.

2016 Health Insurance Premium Rate Review Process Public Comment Solicitation - Individual, Small Employer Group, and Large Employer Group

Introduction

On May 13, 2016, Blue Cross Blue Shield of Rhode Island (BCBSRI), Neighborhood Health Plan of Rhode Island (NHPRI), Tufts Health Plan (Tufts), and United Healthcare (United) filed with the State of Rhode Island Office of the Health Insurance Commissioner (OHIC) to request approval for rates to be charged to individuals, small employers, and large employers effective in 2017. BCBSRI and NHPRI have filed in the individual market. All four commercial health insurers have filed in the small employer market. BCBSRI, Tufts, and United have filed in the large employer market. OHIC has the responsibility of reviewing the rates with the goal of holding the insurers publicly accountable for making health insurance more affordable while ensuring their solvency.

2016 Individual, Small Group, and Large Group Review Process

OHIC is currently reviewing the requested rates. This review process will culminate in a final decision in July 2016 by Commissioner Kathleen C Hittner approving, modifying, or rejecting the requested rates. Here are the components that Commissioner Hittner will use to make her decisions:

In the individual market, OHIC's final decision to approve, modify, or reject the requested rates for individuals and families will consist of the following components for each insurer:

- The **EHB base rate** represents the monthly average rate for a hypothetical plan with no cost-sharing for a 21-year old for a given insurer in a given market. Essential health benefits are a set of benefits that must be covered by plans, as called for in the Affordable Care Act.
- The **Overall Weighted Average Rate Increase** represents adjustments to reflect the benefits in plans, including modifications to prior year benefits and pricing. This weighted average rate increase represents the average rate increase that consumers will experience.
- **Plan relativity factors** represent the differences in plan design features among plans for a given insurer in a given market. Plan design features include items such as: benefits, cost sharing (deductibles, co-insurance, and co-payments) and provider network. Plan relativity factors address the differences in rates that carriers can charge based on how similar or alike their plans are to the Essential Health Benefits base rate.

In the small employer market, OHIC's final decision to approve, modify, or reject the requested rates for small employers will consist of the following components for each insurer: (1) an EHB base rate and (2) the overall weighted average rate increase, (3) plan relativity factors, as above, plus (4) a quarterly effective date projection factor.

- The **quarterly effective date projection factor** represents the expected annualized inflation rate for rates charged to small employers renewing at different points during a year. For example, a small employer

renewing in January will pay a lower rate than a small employer renewing in December for the same plan because there are fewer months over which they will experience inflation, assuming that the two small employers have a workforce of the same age.

In the large employer market, OHIC's final decision to approve, modify, or reject the requested rates for large businesses will consist of an average expected premium increase for each insurer.

- The **average expected premium increase** represents the average expected percentage change in premiums from one year to the next, holding benefits constant, across all employers that are up for renewal within a given market. It is weighted by employer size. This average expected premium increase is comprised of rate factors that are applied to the employer's existing experience.

Opportunities to Submit Public Comment to OHIC

As a part of its review of the rates filed, OHIC is soliciting public comment on what has been submitted by the insurers. OHIC believes that public input is essential and will take all input received into account in developing its final decision. All public comments must be received by OHIC by June 27, 2016. Following this deadline, OHIC will make all comments received publicly available. Comments may be submitted in two ways:

- Written comments may be sent for consideration to alyssa.metivier@ohic.ri.gov.
- The public is invited to attend a public input meeting on June 22, 2016 at 5:30 P.M. at the State of Rhode Island Public Utilities Commission, located at 89 Jefferson Boulevard in Warwick. Public comments will be taken in order of sign-up at the meeting. While oral comments are welcome, OHIC encourages members of the public to also submit any oral comment offered at the public input meeting in written form to alyssa.metivier@ohic.ri.gov by June 27, 2016. Please contact Alyssa Metivier at (401) 462-1677 or alyssa.metivier@ohic.ri.gov to arrange for special accommodations or for more information about the public input meeting.

To assist interested stakeholders in developing their comments, OHIC has made the submissions filed by the insurers well as additional information available here: <http://www.ohic.ri.gov/ohic-formandraterreview.php>.

2016 Health Insurance Premium Rate Review Process Small Employer Group Essential Health Benefits Base Rate Summary

The following table depicts the Essential Health Benefits (EHB) base rate and the key assumptions behind its development for the small employer group (SG) market filed by Blue Cross Blue Shield of Rhode Island (BCBSRI), Neighborhood Health Plan of Rhode Island (NHPRI), Tufts Health Plan (Tufts), and UnitedHealthcare (United) as part of the State of Rhode Island Office of the Health Insurance Commissioner's (OHIC) 2016 rate review process (for rates effective in 2017). This information is subject to change as the rate review process continues. Please see our 2016 Rate Review Process Public Comment Solicitation for more information about the rates and this process.

OHIC is currently reviewing these assumptions. This review process will culminate in a final decision by Commissioner Kathleen C Hittner approving, modifying, or rejecting the requested rates. For more information on the rate review process or information about rates filed in the individual or large group markets, please visit <http://www.ohic.ri.gov/ohic-formandraterreview.php>.

There are 59,852 consumers enrolled in small group market plans (data as of March 2016). This represents 27.2% of the fully-insured market (individual, small group, and large group markets).

- The **EHB base rate** represents the monthly average rate for a hypothetical plan with no cost-sharing for a 21-year old for a given insurer in a given market. Essential Health Benefits are a set of benefits that must be covered by plans, as called for in the Affordable Care Act.
- The **Overall Weighted Average Rate Increase** represents adjustments to reflect the benefits in plans, including modifications to prior year benefits and pricing and it includes terminated plans. This weighted average rate increase represents the average rate that consumers will experience. The **range of rate changes** represents variation by plan benefits. It does not include the effect of changes in age.
- The **Medical Expense Trend Assumption** is the annualized rate of increase due to increases in the unit cost of services and in the utilization of services. Because rates are generally based on the calendar year 2015 experience adjusted for trend, the expected experience underlying the 2017 rates is projected using two years of medical expense trend.
- The **Non-Medical Portion of Premium** represents the percent of overall premium that is required to cover administrative expense, contribution to reserves and required taxes and fees, including premium tax, ACA fees (0% because they were suspended for 2017) and HealthSource RI Exchange Fees.
- The **Quarterly Effective Date Projection Factor** represents the expected annualized inflation rate for rates charged to small employers renewing at different points during a year. For example, a small employer renewing in January will pay a lower rate than a small employer renewing in December for the same plan because there are fewer months over which they will experience inflation, assuming that the two small employers have a workforce of the same age.

Small Group Market Rate Request Summary – EHB Requested Amounts (Data as of June 14, 2016)

	BCBS RI	NHPRI	Tufts HMO	Tufts PPO	United HMO	United PPO
EHB Base Rate ⁵ for 1Q renewals	\$382.39	\$312.53	\$402.52	\$403.11	\$408.03	\$412.55
EHB Base Rate Change from 2016	1.4%	-2.6%	1.1%	0.0%	0.4%	0.4%

Small Group Market Rate Request Summary – Requested Amounts (Data as of June 14, 2016)

	BCBS RI	NHPRI	Tufts HMO	Tufts PPO	United HMO	United PPO
Overall Average Weighted Rate Change ⁵ for the full year	7.9%	-2.2%	0.8%	1.0%	2.6%	2.3%
Range of Average Weighted Rate Changes	-4.5% to +16.6%	-2.9% to -1.3%	-8.2% to + 5.6%	-8.2% to + 6.9%	-8.2% to +21.4%	-5.4% to +20.8%

Small Group Market Rate Request Summary – Medical Trend Assumptions (Data as of June 14, 2016)

	BCBS RI	NHPRI	Tufts HMO	Tufts PPO	United HMO	United PPO
Hospital Inpatient	2.7%	2.7%	2.5%	2.5%	1.1%	1.1%
Hospital Outpatient	4.4%	3.7%	2.2%	2.2%	5.6%	5.6%
Primary Care	10.9%	5.4%	2.1%	2.1%	3.8%	3.8%
Other Medical/Surgical	6.2%	5.4%	2.7%	2.7%	3.0%	3.0%
Prescription Drug	11.8%	9.6%	13.8%	13.8%	12.7%	12.7%
Capitation	0.0%	0.0%	0.0%	0.0%	2.5%	2.5%
Total Weighted Trend	6.5%	5.6%	4.5%	5.1%	5.4%	5.2%

Small Group Market Rate Request Summary – Risk Adjustment Assumption (Data as of June 14, 2016)

	BCBS RI	NHPRI	Tufts HMO	Tufts PPO	United HMO	United PPO
Risk Adjustment Assumption ⁵	-0.03%	0.1%	0.0%	-0.3%	4.2%	4.2%

Small Group Market Rate Request Summary – Non-Medical Portion of Premium (Data as of June 14, 2016)

	BCBS RI	NHPRI	Tufts HMO	Tufts PPO	United HMO	United PPO
Administrative Expense	13.2%	24.7%	11.5%	11.5%	12.3%	12.3%
ACA Fees ⁵	0.1%	0.0%	0.2%	0.3%	0.3%	0.3%

State Premium Tax	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Contribution to Reserves	3.3%	2.0%	0.0%	0.0%	3.0%	3.0%
HealthSource RI Assessment ⁵	0.5%	5.2%	0.0%	1.0%	0.0%	0.0%

Small Group Market Rate Request Summary – Quarterly Effective Date Projection Factors (Data as of June 14, 2016)

	BCBS RI	NHPRI	Tufts HMO	Tufts PPO	United HMO	United PPO
1Q 2017	1.000	1.0000	1.000	1.000	1.000	1.000
2Q 2017	1.022	1.0122	1.013	1.016	1.029	1.029
3Q 2017	1.044	1.0245	1.027	1.033	1.042	1.042
4Q 2017	1.067	1.0370	1.040	1.050	1.055	1.055

5 Represents the monthly average rate for a hypothetical plan (no member cost sharing) for a 21-year old for a given insurer in a given market, excluding the cost of pediatric dental.

5 Represents adjustments to reflect the benefits in plans, including modifications to prior year benefits and pricing and terminated plans. This weighted average rate change represents the average rate change that consumers will experience.

5 Represents an adjustment to reflect the ACA's risk adjustment program which redistributes funds from carriers with lower-risk enrollees to plans with higher-risk enrollees.

5 Represents costs associated with ACA's taxes and fees including the Health Insurer Tax and the Patient-Centered Outcomes Research Trust Fund (PCORI) Fee. Congress suspended the Health Insurer Tax for calendar year 2017. This line only represents 1Q renewals and does not reflect the phase-in of the Health Insurer Tax for those employers enrolling in later quarters.

5 Represents the assessment being charged to fund the ongoing operations of RI's state-based insurance marketplace, HealthSource RI.