

Blue Cross & Blue Shield of Rhode Island

Trend and Comparison Supplement

**Submitted in Conjunction with the Direct Pay Rate Filing Effective April 1, 2009
November 21st, 2008**

I. Historical Rates of Trend for Existing Products

The following table illustrates the latest filed annual trend factors that were filed for Class DIR for the respective year/benefit category. Also shown at the bottom of the table are historical actual Direct Pay claims per member per month (PMPM) annual trends for rate years beginning 4/2006 and 4/2007.

<i>Category</i>	<i>Effective April 2006</i>	<i>Effective April 2007</i>	<i>Effective April 2008</i>
Inpatient	1.0885	1.0850	1.1075
Outpatient	1.1615	1.1442	1.0847
Surgical/Medical	1.0841	1.0595	1.0651
Prescription Drugs	1.1000	1.1000	1.1048
Weighted Total	1.1042	1.0923	1.0875
Historical Actual ⁽¹⁾	0.9986	1.0026	N/A

(1) Allowed dollar trend, excluding Economy plan, since they did not have the full scope of benefits. Trend effective April 2006 is the annualized trend from 5/04-4/05 to 4/06-3/07. Trend effective April 2007 is the annualized trend from 4/05-3/06 to 4/07-3/08, and has been normalized for benefit changes.

The following table illustrates BCBSRI's filed trends versus those illustrated in a recent industry survey:

<i>Source</i>	<i>2006</i>	<i>2007</i>	<i>2008</i>
BCBSRI Class DIR Rating Trends (from above)	10%	9%	9%
Oliver Wyman Survey Median Trend ⁽¹⁾	10%	10%	12%

(1) Oliver Wyman Survey trend represents the median trend at July of each year from industry surveys. From *July 2008 Oliver Wyman Carrier Trend Report 2008.2 Analysis*. This survey is the only survey readily available that contains trends specific to individual coverage.

As can be seen in the table above the rating trends used by BCBSRI are at or below the average rating trends used in the industry for individual products. Note that historical actual trends are unusually low due to the multiple benefit changes over the last several years.

II. Price Comparisons to Other Market Rates for Similar Products

A. Comparison of Benefits and Premium Rates (Direct Pay)

Attachment I is a sample comparison of the rates and benefits proposed in this rate filing to the rates and benefits for similar plan types being offered by other New England plans in the non-group market. Generally, the rates and benefits proposed by BCBSRI compare favorably to those offered by other regional plans.

Pool I rates are most comparable to the rates in Vermont because they are both guaranteed issue and community rated. Despite the fact that Vermont has a \$1M lifetime maximum benefit, the proposed Pool I rates are still lower than the rates in Vermont.

Pool II rates are most comparable to the rates in Connecticut because they are both medically underwritten and age/gender rated. However, since Connecticut does not also offer guaranteed issue rates, there is no cross-subsidy built into their medically underwritten rates. In addition, Connecticut's lower deductible plans shown have a \$5M lifetime maximum benefit and no pharmacy coverage. Therefore, the proposed Pool II rates are often, but not always, higher than the rates in Connecticut.

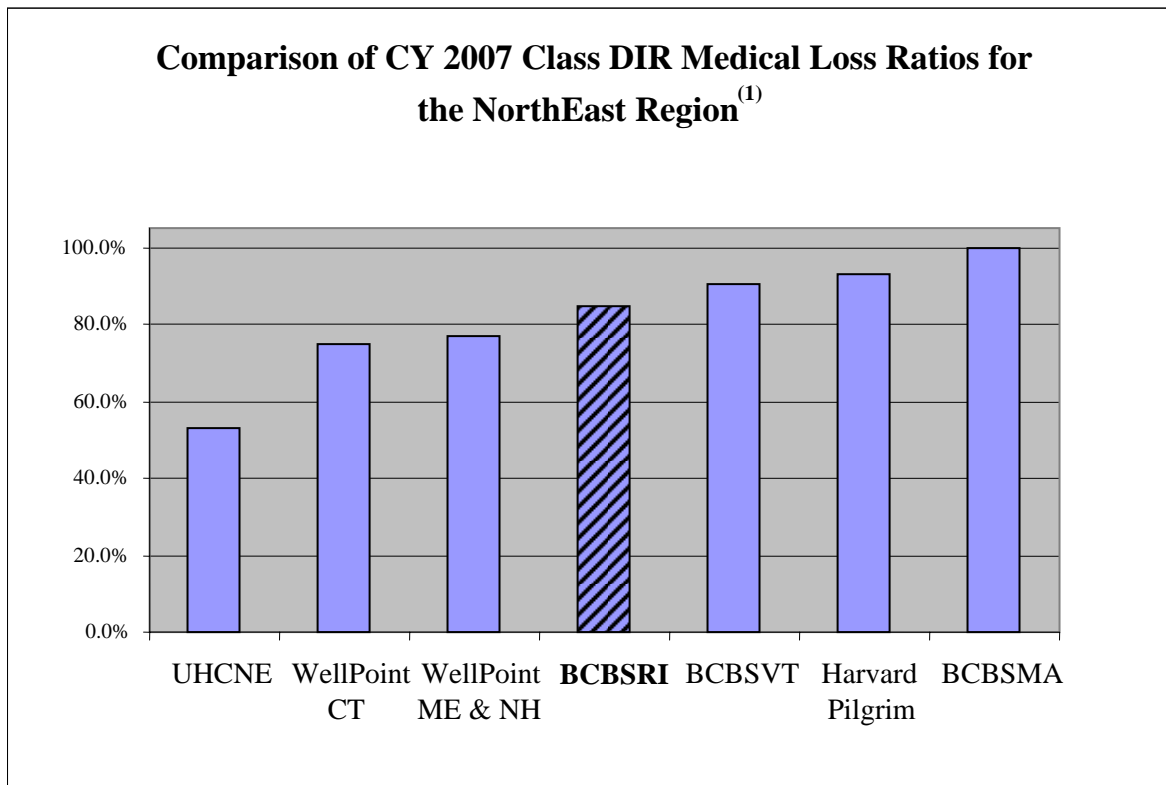
Maine rates are sometimes higher than our proposed Pool I rates and always higher than our proposed Pool II rates. Maine's plans are guaranteed issue, age rated, and the lower deductible plans have a \$2M lifetime maximum benefit.

Massachusetts rates are usually lower than our proposed Pool I rates and sometimes lower than our proposed Pool II rates. Massachusetts is guaranteed issue, region, and age rated.

New Hampshire rates are usually lower than our proposed Pool I rates, but usually higher than our proposed Pool II rates. New Hampshire is guaranteed issue, region, and age rated. In addition, the New Hampshire rates shown do not include the optional maternity rider, which would add at least \$500 to each of the monthly rates shown. Also, New Hampshire has a state-sponsored high risk pool and, for their Blue Direct 2000 plan, a \$2M lifetime maximum benefit.

B. Comparison of Medical Loss Ratios (Direct Pay)

The following chart shows a comparison of medical loss ratios for CY 2007 for regional plans offering individual coverage. It shows Rhode Island as having the median medical loss ratio among the regional plans for calendar year 2007. This comparison shows that relative to premium paid, BCBSRI Direct Pay members received a benefit value in line with the regional average. It should be noted that for insurers operating in Rhode Island, medical loss ratios are necessarily lower than they otherwise would be, due to a tax levied against insurance premiums.



(1) Based on NAIC annual statements for individual business. CIGNA NE is excluded since it had no reported non-group premium for CY 2007.

BCBSRI's strategy with regards to medical loss ratios for the entire Class DIR line of business is to target an amount equal to 100% less the targeted reserve contribution, administrative expenses, and applicable state and federal taxes. The process for determining required medical loss ratios for Pool I and Pool II is described in the enclosed testimony of Mr. Lynch. Provided that our administrative expenses and reserve requirements remain in-line with and/or lower than the other carriers, our medical loss ratios should remain in the middle to upper half of this comparison. The projected required loss ratio for the proposed rates in this rate filing is 86%.

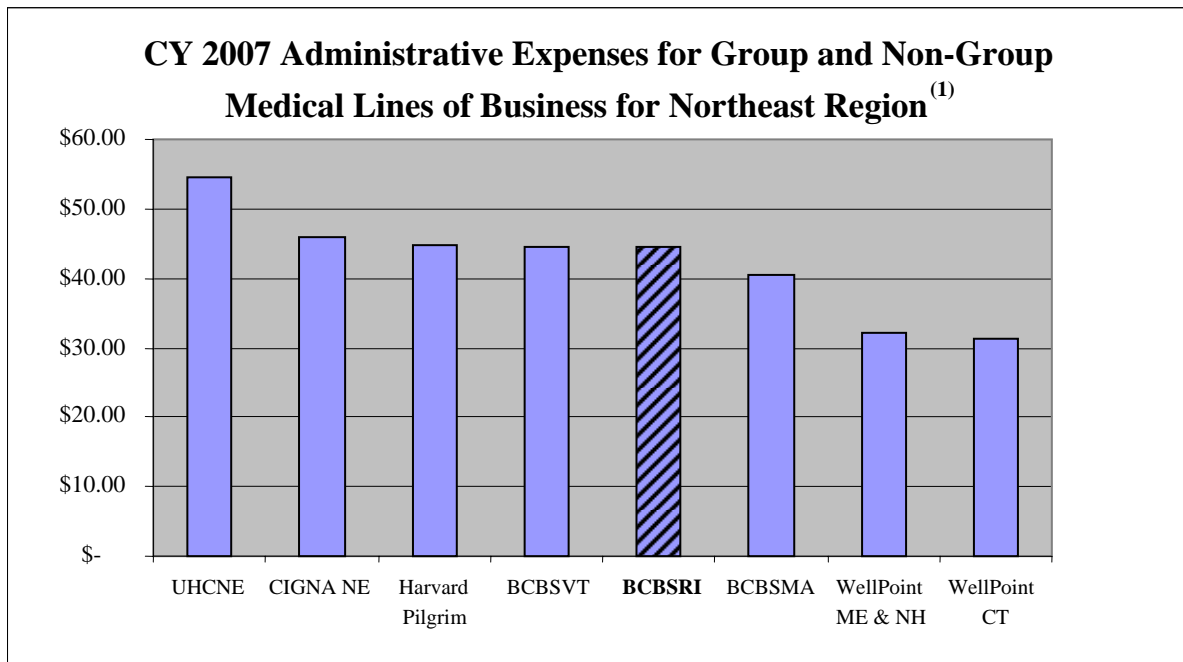
C. Comparison of Administrative Costs (Group and Direct Pay Combined)

Blue Cross & Blue Shield of Rhode Island takes actions to control our operating expenses both during the budget setting process and during the year. The process recognizes that prudent decisions must be made to balance the desire to control operating expenses with the need to limit increases in benefits expense:

- The budget process includes a comparison of our operating expenses compared to other insurers operating in the New England Region.
- Proposed new initiatives are evaluated for their return on investment prior to determining what new activities will be undertaken.
- Expense management is an ongoing process. The management of each division has been directed to manage their operations within their budget while achieving the operational goals of the organization. Failure to meet this goal will be

considered in the employee evaluation process. Expense management has also been incorporated as a component of the Executive and Employee incentive plans.

The following chart shows a comparison of administrative costs (on a PMPM basis) for Commercial (Direct Pay and group coverage combined) among the regional plans. It shows that BCBSRI's administrative expense is aligned with the median administrative expense for the region. Note that the inter-company expense comparison provided below is made on a dollar basis rather than a percent of premium basis because it avoids distortions that would otherwise be introduced by benefit design and prevailing medical cost differences among carriers.



(1) Based on NAIC annual statements for group and non-group medical lines of business.

III. Trends by Service Category

The following table illustrates the overall trend factors by type of service applicable to this rate filing. The detailed regression analysis and graphs behind these factors are supplied with the filing schedules.

<i>Type of Service</i>	<i>Projection Factor</i>	<i>Annual Trend Factor</i>
Inpatient	1.1393	1.0737
Outpatient	1.2193	1.1142
Surgical/Medical	1.1449	1.0766
Preferred Rx	1.1321	1.0700
<i>Weighted Total</i>	1.1575	1.0830

New England Blue Cross Blue Shield Plans by Plan Type

Attachment I

Similar Direct Pay Product Offerings

Plan Type A		Deductible (Indiv/Family)	Rating Type (1)	Rating Pool	Lifetime Max	Single Male 25	Single Female 25	Family 35 Yr Old w/ Spouse & 2 Kids	Two Adults 63 Yr Old & 60 Yr Old
RI	HealthMate CTC \$400	\$400/\$800	MU/AG GI/C	Pool 2 Pool 1	None None	\$216 \$714	\$310 \$714	\$822 \$1,346	\$1,199 \$1,346
MA	Blue Care Elect Preferred 90	\$250/\$500	GI/RA	Pool 2 Pool 1	None	\$443	\$443	\$1,567	\$1,773
CT	Century Preferred Direct 80/20 PPO*	\$250/\$500	MU/AG	Pool 2 Pool 1	\$5M	\$148	\$210	\$737	\$1,165
ME	HealthChoice Standard	\$500/\$1000	GI/A	Pool 2 Pool 1	\$2M	\$761	\$761	\$1,984	\$2,284

* The CT rates shown do not include pharmacy coverage.

Plan Type B		Deductible (Indiv/Family)	Rating Type (1)	Rating Pool	Lifetime Max	Single Male 25	Single Female 25	Family 35 Yr Old w/ Spouse & 2 Kids	Two Adults 63 Yr Old & 60 Yr Old
RI	HealthMate CTC \$2,000	\$2,000/\$4,000	MU/AG GI/C	Pool 2 Pool 1	None None	\$162 \$536	\$233 \$536	\$617 \$1,010	\$900 \$1,010
MA	Preferred Blue PPO Basic \$2,000	\$2,000/\$4,000	GI/RA	Pool 2 Pool 1	None	\$189	\$189	\$669	\$757
NH	Blue Direct \$2,000*	\$2,000/\$6,000	GI/RA	Pool 2 Pool 1	\$2M	\$149	\$149	\$658	\$1,188
CT	Century Preferred Direct 100 PPO*	\$1,500/\$3,000	MU/AG	Pool 2 Pool 1	\$5M	\$121	\$171	\$603	\$952
ME	HealthChoice Standard	\$1,500/\$3,000	GI/A	Pool 2 Pool 1	\$2M	\$718	\$718	\$1,870	\$2,153

* The NH rates shown do not include maternity coverage, and the CT rates shown do not include pharmacy coverage.

Plan Type C		Deductible (Indiv/Family)	Rating Type (1)	Rating Pool	Lifetime Max	Single Male 25	Single Female 25	Family 35 Yr Old w/ Spouse & 2 Kids	Two Adults 63 Yr Old & 60 Yr Old
RI	HealthMate CTC \$3,000 HSA	\$3,000/\$6,000	MU/AG GI/C	Pool 2 Pool 1	None None	\$133 \$438	\$190 \$438	\$504 \$825	\$735 \$825
VT	PPO Option A	\$3,500/\$7,000	GI/C	Pool 2 Pool 1	\$1M	\$578	\$578	\$1,159	\$1,155
NH	Lumenos HSA Plan*	\$2,500/\$5,000	GI/RA	Pool 2 Pool 1	None	\$137	\$137	\$605	\$983
CT	Lumenos HSA Plan	\$2,500/\$5,000	MU/AG	Pool 2 Pool 1	None	\$124	\$175	\$616	\$876
ME	Lumenos HSA Plan	\$2,500/\$5,000	GI/A	Pool 2 Pool 1	None	\$327	\$327	\$976	\$884

* The NH rates shown do not include maternity coverage.

Plan Type D		Deductible (Indiv/Family)	Rating Type (1)	Rating Pool	Lifetime Max	Single Male 25	Single Female 25	Family 35 Yr Old w/ Spouse & 2 Kids	Two Adults 63 Yr Old & 60 Yr Old
RI	HealthMate CTC \$5,000 HSA	\$5,000/\$10,000	MU/AG GI/C	Pool 2 Pool 1	None None	\$105 \$345	\$150 \$345	\$397 \$650	\$579 \$650
VT	Individual HSA Blue	\$5,000/\$10,000	GI/C	Pool 2 Pool 1	\$1M	\$430	\$430	\$1,162	\$861
NH	Lumenos HSA Plan*	\$5,000/\$10,000	GI/RA	Pool 2 Pool 1	None	\$117	\$117	\$516	\$839
CT	Lumenos HSA Plan	\$5,000/\$10,000	MU/AG	Pool 2 Pool 1	None	\$100	\$142	\$499	\$709
ME	Lumenos HSA Plan	\$5,000/\$10,000	GI/A	Pool 2 Pool 1	None	\$218	\$218	\$649	\$587

* The NH rates shown do not include maternity coverage.

- (1) GI = Guaranteed Issue
 C = Community Rated
 A = Age Rated (no gender)
 MU = Medically Underwritten
 AG = Age & Gender Rated
 RA = Region & Age Rated (no gender)