

**State:** Rhode Island **Filing Company:** Blue Cross & Blue Shield of Rhode Island  
**TOI/Sub-TOI:** MS09 Medicare Supplement - Other 2010/MS09.000 Medicare Supplement Other 2010  
**Product Name:** Plan 65 - Individual  
**Project Name/Number:** July 2019 PL65 Individual/2019PL65NG

## Filing at a Glance

Company: Blue Cross & Blue Shield of Rhode Island  
Product Name: Plan 65 - Individual  
State: Rhode Island  
TOI: MS09 Medicare Supplement - Other 2010  
Sub-TOI: MS09.000 Medicare Supplement Other 2010  
Filing Type: Rate  
Date Submitted: 03/13/2019  
SERFF Tr Num: BCBS-131779103  
SERFF Status: Assigned  
State Tr Num:  
State Status: Open-Pending Actuary Review  
Co Tr Num: 2019PL65NG  
  
Implementation: 07/01/2019  
Date Requested:  
Author(s): Jessie Knowles, Sean Neylon  
Reviewer(s): John Garrett (primary), Linda Johnson, Charles DeWeese, bela gorman, Victor Woods, Courtney Miner  
  
Disposition Date:  
Disposition Status:  
Implementation Date:  
  
State Filing Description:

State: Rhode Island Filing Company: Blue Cross & Blue Shield of Rhode Island  
 TOI/Sub-TOI: MS09 Medicare Supplement - Other 2010/MS09.000 Medicare Supplement Other 2010  
 Product Name: Plan 65 - Individual  
 Project Name/Number: July 2019 PL65 Individual/2019PL65NG

**General Information**

Project Name: July 2019 PL65 Individual Status of Filing in Domicile: Not Filed  
 Project Number: 2019PL65NG Date Approved in Domicile:  
 Requested Filing Mode: Review & Approval Domicile Status Comments:  
 Explanation for Combination/Other: Market Type: Individual  
 Submission Type: New Submission Individual Market Type:  
 Overall Rate Impact: 2.9% Filing Status Changed: 03/13/2019  
 State Status Changed: 03/13/2019  
 Deemer Date: Created By: Jessie Knowles  
 Submitted By: Jessie Knowles Corresponding Filing Tracking Number: BCBS-130213938

Filing Description:  
 Filing revised rates for individual Plan 65 Medigap and Select, effective 7/1/2019 through 6/30/2020.

**Company and Contact**

**Filing Contact Information**

Jessie Knowles, Actuarial Analyst Jessie.Knowles@BCBSRI.ORG  
 500 Exchange Street 401-459-1000 [Phone] 5382 [Ext]  
 Providence, RI 02903

**Filing Company Information**

Blue Cross & Blue Shield of Rhode Island CoCode: 53473 State of Domicile: Rhode Island  
 500 Exchange Street Group Code: Island  
 Providence, RI 02903 Group Name: Company Type: Health Insurance  
 (401) 459-1000 ext. [Phone] FEIN Number: 05-0158952 State ID Number:

**Filing Fees**

Fee Required? No  
 Retaliatory? No  
 Fee Explanation:  
 Per Company: Yes

Company	Amount	Date Processed	Transaction #
Blue Cross & Blue Shield of Rhode Island	\$250.00	03/13/2019	157025215

SERFF Tracking #:

BCBS-131779103

State Tracking #:

Company Tracking #:

2019PL65NG

State:

Rhode Island

Filing Company:

Blue Cross & Blue Shield of Rhode Island

TOI/Sub-TOI:

MS09 Medicare Supplement - Other 2010/MS09.000 Medicare Supplement Other 2010

Product Name:

Plan 65 - Individual

Project Name/Number:

July 2019 PL65 Individual/2019PL65NG

### Rate Information

Rate data applies to filing.

Filing Method:

Review and Approve

Rate Change Type:

Increase

Overall Percentage of Last Rate Revision:

-2.300%

Effective Date of Last Rate Revision:

07/01/2018

Filing Method of Last Filing:

Review and Approve

SERFF Tracking Number of Last Filing:

BCBS-131356300

### Company Rate Information

Company Name:	Overall % Indicated Change:	Overall % Rate Impact:	Written Premium Change for this Program:	Number of Policy Holders Affected for this Program:	Written Premium for this Program:	Maximum % Change (where req'd):	Minimum % Change (where req'd):
Blue Cross & Blue Shield of Rhode Island	2.900%	2.900%	\$1,209,096	17,760	\$43,500,507	9.200%	-11.300%

**SERFF Tracking #:**

BCBS-131779103

**State Tracking #:****Company Tracking #:**

2019PL65NG

**State:**

Rhode Island

**Filing Company:**

Blue Cross &amp; Blue Shield of Rhode Island

**TOI/Sub-TOI:**

MS09 Medicare Supplement - Other 2010/MS09.000 Medicare Supplement Other 2010

**Product Name:**

Plan 65 - Individual

**Project Name/Number:**

July 2019 PL65 Individual/2019PL65NG

## Rate/Rule Schedule

Item No.	Schedule Item Status	Document Name	Affected Form Numbers (Separated with commas)	Rate Action	Rate Action Information	Attachments
1		Filing Schedules		New		Filing Spreadsheets Effective 7-1-19.pdf,
2		Filing Letter		New		Filing Letter 2019.pdf,
3		Actuarial Summary		New		Actuarial Summary 2019.pdf,
4		Consumer Narrative		New		Consumer Narrative.pdf,

BLUE CROSS & BLUE SHIELD OF RHODE ISLAND  
TOTAL PLAN 65 NON-GROUP

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MONTHLY SUBSCRIPTION RATES EFFECTIVE JULY 1, 2019

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**Schedule 2**

**Plan 65 Medigap and Plan 65 Select  
Required Monthly Subscription Rates**

## Schedule 3

Plan 65 Medigap Monthly Rates For Tobacco Users				
Plan	Tier	Present Rate	Rate Effective 7/1/2019	Percent Increase
Medigap Plan A <i>(enrolled prior to May 1, 2016)</i>	Discount Rate	\$183.48	\$199.99	9.0%
	Base Rate	\$203.86	\$222.21	9.0%
	Age-in Rate for Ages 65-67	\$132.51	\$144.44	9.0%
	Age-in Rate for Ages 68-70	\$159.01	\$173.32	9.0%
	Age-in Rate for Ages 71-72	\$183.47	\$199.99	9.0%
Medigap Plan A <i>(enrolled on or after May 1, 2016)</i>	Base Rate	\$224.02	\$244.72	9.2%
	Age-in Rate for Ages 65-67	\$145.62	\$159.07	9.2%
	Age-in Rate for Ages 68-70	\$174.74	\$190.88	9.2%
	Age-in Rate for Ages 71-72	\$201.62	\$220.25	9.2%
Medigap Plan B	Base Rate	\$150.39	\$154.39	2.7%
Medigap Plan C	Discount Rate	\$222.36	\$228.27	2.7%
	Base Rate	\$247.06	\$253.62	2.7%
Medigap Plan F <i>(enrolled prior to May 1, 2016)</i>	Base Rate	\$238.56	\$244.90	2.7%
	Age-in Rate for Ages 65-67	\$155.06	\$159.19	2.7%
	Age-in Rate for Ages 68-70	\$186.08	\$191.02	2.7%
	Age-in Rate for Ages 71-72	\$214.70	\$220.41	2.7%
Medigap Plan F <i>(enrolled on or after May 1, 2016)</i>	Base Rate	\$262.15	\$269.71	2.9%
	Age-in Rate for Ages 65-67	\$170.40	\$175.32	2.9%
	Age-in Rate for Ages 68-70	\$204.48	\$210.37	2.9%
	Age-in Rate for Ages 71-72	\$235.93	\$242.74	2.9%
Medigap Plan G	Base Rate	\$209.42	\$200.02	-4.5%
	Age-in Rate for Ages 65-67	\$136.12	\$130.01	-4.5%
	Age-in Rate for Ages 68-70	\$163.34	\$156.01	-4.5%
	Age-in Rate for Ages 71-72	\$188.47	\$180.02	-4.5%
Medigap Plan N	Base Rate	\$189.68	\$168.34	-11.3%
	Age-in Rate for Ages 65-67	\$123.30	\$109.42	-11.3%
	Age-in Rate for Ages 68-70	\$147.96	\$131.30	-11.3%
	Age-in Rate for Ages 71-72	\$170.71	\$151.51	-11.2%

Plan 65 Select Monthly Rates For Tobacco Users				
Plan	Tier	Present Rate	Rate Effective 7/1/2019	Percent Increase
Select Plan B	Base Rate	\$144.99	\$148.84	2.7%
	Transfer Rate	\$176.24	\$180.92	2.7%
Select Plan C	Base Rate	\$184.64	\$189.55	2.7%
	Transfer Rate	\$236.11	\$242.38	2.7%
Select Plan F <i>(enrolled prior to May 1, 2016)</i>	Base Rate	\$178.29	\$183.03	2.7%
	Transfer Rate	\$227.99	\$234.05	2.7%
	Age-in Rate for Ages 65-67	\$115.89	\$118.97	2.7%
	Age-in Rate for Ages 68-70	\$139.07	\$142.76	2.7%
	Age-in Rate for Ages 71-72	\$160.46	\$164.73	2.7%
Select Plan F <i>(enrolled on or after May 1, 2016)</i>	Base Rate	\$195.92	\$201.57	2.9%
	Transfer Rate	\$250.54	\$257.76	2.9%
	Age-in Rate for Ages 65-67	\$127.35	\$131.02	2.9%
	Age-in Rate for Ages 68-70	\$152.82	\$157.22	2.9%
	Age-in Rate for Ages 71-72	\$176.33	\$181.42	2.9%
Select Plan L	Transfer Rate	\$142.19	\$145.97	2.7%

## Schedule 4

Plan 65 Medigap Monthly Rates For Non-Tobacco Users				
Plan	Tier	Present Rate	Rate Effective 7/1/2019	Percent Increase
Medigap Plan A <i>(enrolled prior to May 1, 2016)</i>	Discount Rate	\$183.48	\$199.99	9.0%
	Base Rate	\$203.86	\$222.21	9.0%
	Age-in Rate for Ages 65-67	\$132.51	\$144.44	9.0%
	Age-in Rate for Ages 68-70	\$159.01	\$173.32	9.0%
	Age-in Rate for Ages 71-72	\$183.47	\$199.99	9.0%
Medigap Plan A <i>(enrolled on or after May 1, 2016)</i>	Base Rate	\$201.62	\$220.25	9.2%
	Age-in Rate for Ages 65-67	\$131.06	\$143.16	9.2%
	Age-in Rate for Ages 68-70	\$157.27	\$171.79	9.2%
	Age-in Rate for Ages 71-72	\$181.46	\$198.23	9.2%
Medigap Plan B	Base Rate	\$150.39	\$154.39	2.7%
Medigap Plan C	Discount Rate	\$222.36	\$228.27	2.7%
	Base Rate	\$247.06	\$253.62	2.7%
Medigap Plan F <i>(enrolled prior to May 1, 2016)</i>	Base Rate	\$238.56	\$244.90	2.7%
	Age-in Rate for Ages 65-67	\$155.06	\$159.19	2.7%
	Age-in Rate for Ages 68-70	\$186.08	\$191.02	2.7%
	Age-in Rate for Ages 71-72	\$214.70	\$220.41	2.7%
Medigap Plan F <i>(enrolled on or after May 1, 2016)</i>	Base Rate	\$235.94	\$242.74	2.9%
	Age-in Rate for Ages 65-67	\$153.36	\$157.79	2.9%
	Age-in Rate for Ages 68-70	\$184.03	\$189.33	2.9%
	Age-in Rate for Ages 71-72	\$212.34	\$218.47	2.9%
Medigap Plan G	Base Rate	\$188.48	\$180.02	-4.5%
	Age-in Rate for Ages 65-67	\$122.51	\$117.01	-4.5%
	Age-in Rate for Ages 68-70	\$147.01	\$140.41	-4.5%
	Age-in Rate for Ages 71-72	\$169.62	\$162.02	-4.5%
Medigap Plan N	Base Rate	\$170.71	\$151.51	-11.2%
	Age-in Rate for Ages 65-67	\$110.97	\$98.48	-11.3%
	Age-in Rate for Ages 68-70	\$133.16	\$118.17	-11.3%
	Age-in Rate for Ages 71-72	\$153.64	\$136.36	-11.2%

Plan 65 Select Monthly Rates For Non-Tobacco Users				
Plan	Tier	Present Rate	Rate Effective 7/1/2019	Percent Increase
Select Plan B	Base Rate	\$144.99	\$148.84	2.7%
	Transfer Rate	\$176.24	\$180.92	2.7%
Select Plan C	Base Rate	\$184.64	\$189.55	2.7%
	Transfer Rate	\$236.11	\$242.38	2.7%
Select Plan F <i>(enrolled prior to May 1, 2016)</i>	Base Rate	\$178.29	\$183.03	2.7%
	Transfer Rate	\$227.99	\$234.05	2.7%
	Age-in Rate for Ages 65-67	\$115.89	\$118.97	2.7%
	Age-in Rate for Ages 68-70	\$139.07	\$142.76	2.7%
	Age-in Rate for Ages 71-72	\$160.46	\$164.73	2.7%
Select Plan F <i>(enrolled on or after May 1, 2016)</i>	Base Rate	\$176.33	\$181.41	2.9%
	Transfer Rate	\$225.49	\$231.98	2.9%
	Age-in Rate for Ages 65-67	\$114.62	\$117.92	2.9%
	Age-in Rate for Ages 68-70	\$137.54	\$141.50	2.9%
	Age-in Rate for Ages 71-72	\$158.70	\$163.28	2.9%
Select Plan L	Transfer Rate	\$142.19	\$145.97	2.7%

**Schedule 5**

**BLUE CROSS & BLUE SHIELD OF RHODE ISLAND**  
**CALCULATION OF PLAN A, PLAN B, PLAN C, PLAN F, PLAN G, AND PLAN N**  
**REQUIRED MONTHLY SUBSCRIPTION RATES**

**EFFECTIVE JULY 1, 2019**

**PLAN 65 MEDIGAP**

	<b><u>Medigap A</u></b>	<b><u>Medigap B</u></b> (Closed)	<b><u>Medigap C</u></b> (Closed)	<b><u>Medigap F</u></b>	<b><u>Medigap G</u></b>	<b><u>Medigap N</u></b>
<b>Present Rates Effective July 1, 2018</b>						
Discount Rate (A)	\$183.48	N/A	\$222.36	N/A	N/A	N/A
Base Rate	\$203.86	\$150.39	\$247.06	\$238.56	\$190.57	\$172.61
Age-in Rate for Ages 65-67 (B)	\$132.51	N/A	N/A	\$155.06	\$123.87	\$112.20
Age-in Rate for Ages 68-70 (B)	\$159.01	N/A	N/A	\$186.08	\$148.64	\$134.64
Age-in Rate for Ages 71-72 (B)	\$183.47	N/A	N/A	\$214.70	\$171.51	\$155.35
Rate Adjustment Factor (C)	1.090	1.027	1.027	1.027	0.953	0.886
<b>Required Rates Effective July 1, 2019</b>						
Discount Rate (A)	\$199.99	N/A	\$228.27	N/A	N/A	N/A
Base Rate	\$222.21	\$154.39	\$253.62	\$244.90	\$181.62 (D)	\$152.85 (D)
Age-in Rate for Ages 65-67 (B)	\$144.44	N/A	N/A	\$159.19	\$118.05	\$99.35
Age-in Rate for Ages 68-70 (B)	\$173.32	N/A	N/A	\$191.02	\$141.66	\$119.22
Age-in Rate for Ages 71-72 (B)	\$199.99	N/A	N/A	\$220.41	\$163.46	\$137.57

(A) Point-of-entry rate for subscribers who enrolled during their Medigap open enrollment period before November 1, 1998.

(B) Age-in Rates are applicable to new Plan 65 Medigap subscribers who enroll within six months of becoming eligible for Medicare Part B as primary payer. Age-in Rate for Ages 65-67 is 65% of the Base Rate. Age-in Rate for Ages 68-70 is 78% of the Base Rate. Age-in Rate for Ages 71-72 is 90% of the Base Rate. After age 72, the subscriber pays the Base Rate.

(C) Factors can be found in schedule 8, column 10.

(D) Required Income, shown in Schedule 8, column 7, multiplied by age-in credit impact of 1.0506, shown in Schedule 18, column 4.

**Schedule 6**  
**BLUE CROSS & BLUE SHIELD OF RHODE ISLAND**  
**CALCULATION OF PLAN B, PLAN C, PLAN F, AND PLAN L**  
**REQUIRED MONTHLY SUBSCRIPTION RATES**  
**EFFECTIVE JULY 1, 2019**  
**PLAN 65 SELECT**

	<b><u>Select B</u></b> (Closed)	<b><u>Select C</u></b> (Closed)	<b><u>Select F</u></b>	<b><u>Select L</u></b> (Closed)
<b>Present Rates Effective July 1, 2018</b>				
Base Rate	\$144.99	\$184.64	\$178.29	N/A
Transfer Rate (A)	\$176.24	\$236.11	\$227.99	\$142.19
Age-in Rate for Ages 65-67 (B)	N/A	N/A	\$115.89	N/A
Age-in Rate for Ages 68-70 (B)	N/A	N/A	\$139.07	N/A
Age-in Rate for Ages 71-72 (B)	N/A	N/A	\$160.46	N/A
Required Rate Adjustment Factor (C)	1.027	1.027	1.027	1.027
<b>Required Rates Effective July 1, 2019</b>				
Base Rate	\$148.84	\$189.55	\$183.03	N/A
Transfer Rate (A)	\$180.92	\$242.38	\$234.05	\$145.97
Age-in Rate for Ages 65-67 (B)	N/A	N/A	\$118.97	N/A
Age-in Rate for Ages 68-70 (B)	N/A	N/A	\$142.76	N/A
Age-in Rate for Ages 71-72 (B)	N/A	N/A	\$164.73	N/A

(A) The Transfer Rate is applicable to members who switched from another BCBSRI Plan 65 product without completing or successfully passing a health screening.

(B) Age-in Rates are applicable to new Plan 65 Select subscribers who enroll within six months of becoming eligible for Medicare Part B as primary payer. Age-in Rate for Ages 65-67 is 65% of the Base Rate. Age-in Rate for Ages 68-70 is 78% of the Base Rate. Age-in Rate for Ages 71-72 is 90% of the Base Rate. After age 72, the subscriber pays the Base Rate.

(C) Factors can be found in schedule 8, column 10.

**Schedule 7**

**Plan 65 Medigap and Plan 65 Select**

**Calculation of Required**

**Rate Adjustment Factors**

**Schedule 8**

**BLUE CROSS & BLUE SHIELD OF RHODE ISLAND  
CALCULATION OF REQUIRED MEDIGAP PLANS AND SELECT PLANS  
RATE ADJUSTMENT FACTORS EFFECTIVE JULY 1, 2019 - JUNE 30, 2020  
PLAN 65 MEDIGAP AND SELECT**

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
	Member	Projected	Administrative	Total	Investment	Contribution	Required	Redistributed	Required	Selected
	Months	Claims	Expense	Claims and	Income	to Reserve/ Tax	Subscription	Average	Rate	Rate
	(A)	(B)	(C)	Administrative	Credit	(E)	(F)	Subscription	(H)	(I)
		Expense	Expense	Expense	(D)	(E)	(F)	Income	Adjustment	Adjustment
		(B)	(C)	(C)	(D)	(E)	(F)	(G)	(H)	(I)
Medigap Plan A	6,972	\$367.82	\$47.77	\$415.59	(\$1.49)	\$22.95	\$437.05	\$193.97	125.3%	9.0%
Medigap Plan B	655	\$152.00	\$22.74	\$174.74	(\$0.62)	\$9.64	\$183.76	\$143.15	28.4%	2.7%
Medigap Plan C	78,160	\$187.12	\$26.81	\$213.93	(\$0.76)	\$11.81	\$224.98	\$231.49	-2.8%	2.7%
Medigap Plan F	15,177	\$187.12	\$26.81	\$213.93	(\$0.76)	\$11.81	\$224.98	\$227.07	-0.9%	2.7%
Medigap Plan G	0	\$142.72	(J) \$21.66	\$164.38	(\$0.59)	\$9.08	\$172.87			
Medigap Plan N	0	\$119.39	(J) \$18.96	\$138.35	(\$0.49)	\$7.63	\$145.49			
<u>Select Plan L</u>	<u>850</u>	<u>\$115.26</u>	<u>\$18.48</u>	<u>\$133.74</u>	<u>(\$0.48)</u>	<u>\$7.39</u>	<u>\$140.65</u>	<u>\$135.34</u>	<u>3.9%</u>	<u>2.7%</u>
<b>Medigap &amp; Select L</b>	<b>101,814</b>	<b>\$198.67</b>	<b>\$28.15</b>	<b>\$226.82</b>	<b>(\$0.81)</b>	<b>\$12.52</b>	<b>\$238.53</b>	<b>\$226.89</b>	<b>5.1%</b>	<b>3.0%</b>
Select Plan B	400	\$120.32	\$19.06	\$139.38	(\$0.50)	\$7.70	\$146.58	\$147.60	-0.7%	2.7%
Select Plan C	87,401	\$146.86	\$22.14	\$169.00	(\$0.60)	\$9.32	\$177.72	\$179.31	-0.9%	2.7%
<u>Select Plan F</u>	<u>20,388</u>	<u>\$146.86</u>	<u>\$22.14</u>	<u>\$169.00</u>	<u>(\$0.60)</u>	<u>\$9.32</u>	<u>\$177.72</u>	<u>\$169.70</u>	<u>4.7%</u>	<u>2.7%</u>
<b>Select B, C &amp; F</b>	<b>108,189</b>	<b>\$146.76</b>	<b>\$22.13</b>	<b>\$168.89</b>	<b>(\$0.60)</b>	<b>\$9.32</b>	<b>\$177.60</b>	<b>\$177.38</b>	<b>0.1%</b>	<b>2.7%</b>
<b>Grand Total</b>	<b>210,003</b>	<b>\$171.92</b>	<b>\$25.05</b>	<b>\$196.97</b>	<b>(\$0.70)</b>	<b>\$10.87</b>	<b>\$207.14</b>	<b>\$201.38</b>	<b>2.9%</b>	<b>2.9%</b>

(A) These are base period member months adjusted for member eligibility changes. They are used as a proxy for projected member months.

(B) 6 months of projected 2019 rates and 6 months of projected 2020 rates. The formula is 6/12ths multiplied by the CY 2019 rates (shown on Schedules 9 and 11) plus 6/12ths multiplied by the CY 2020 rates (shown on Schedules 10 and 12).

(C) Sum of columns 2 and 3.

(D) Reduction of required subscription income per contract per month due to anticipated return on invested funds, which is 0.34% of premium.

(E) Contribution to Reserve at 3.25% of premium plus 2.00% for state premium assessment, which equates to 5.25% of premium. The premium tax assessment is levied pursuant to section 44-17-1 of the Rhode Island General Laws.

(F) Sum of column 4 through column 6.

(G) The present rate of income calculation shown on Schedule 18.

(H) (Column 7 divided by column 8) minus 1.

(I) 9.0% capped rate change selected for Medigap A. The remaining rate adjustments were developed to maintain consistency among products and maintain the overall rate need of 2.9%.

(J) Refer to the Actuarial Summary, page 8, for the development of these Projected Claims.

**Schedule 9**

**BLUE CROSS & BLUE SHIELD OF RHODE ISLAND**  
**PROJECTION OF JANUARY THROUGH DECEMBER 2019**  
**INCURRED CLAIMS EXPENSE PER CONTRACT MONTH**  
**FOR MEDIGAP PLANS A, B, C AND F AND SELECT PLAN L**

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	
							Projected				
							Claims Expense per Contract Month				
							1/1/19 - 12/31/19				
	Base Period Claims Expense		Projection Factors		All	Medigap	Medigap	Medigap	Medigap	Select	
	Medigap	Medigap Plans	CY 2018 over	CY 2019 over	Benefits	Plan A	Plan B	Plan C	Plan F	Plan L	
<u>Plan 65 Benefit</u>	<u>Plan A</u>	<u>B, C, F &amp; Select L</u>	<u>CY 2017</u>	<u>CY 2018</u>							
Part A Deductible		\$2,739,470	1.0315	1.0332	\$31.06	-	\$31.06	\$31.06	\$31.06	\$31.06	\$5.48 (A)
Part A Copay/365 Add'l Days (B)		\$226,837	1.0182	1.0179	\$2.33	\$2.33	\$2.33	\$2.33	\$2.33	\$2.33	\$0.07 (C)
Skilled Nursing Facility Copayment		\$1,778,480	0.9816	1.0179	\$19.04	-	-	\$19.04	\$19.04	\$19.04	\$14.60 (D)
Part B Deductible		\$1,423,389	1.0000	1.0109	\$15.42	-	-	\$15.42	\$15.42	-	
Coinsurance - Physician	\$910,750	\$6,909,323	1.0281	1.0253	\$76.79	\$135.43	\$76.79	\$76.79	\$76.79	\$76.79	\$58.90 (D)
Coinsurance - Outpatient	\$1,466,990	\$3,447,710	1.0430	1.0346	\$39.23	\$223.31	\$39.23	\$39.23	\$39.23	\$39.23	\$30.09 (D)
Select Network: Part A <u>Adjustment (PMPM)</u>		\$5.29	1.0305	1.0320	\$5.62						<u>\$4.31</u>
<b>Grand Total</b>						<b>\$361.06</b>	<b>\$149.41</b>	<b>\$183.86</b>	<b>\$183.86</b>	<b>\$113.45</b>	

(A) Select L Part A Deductible is calculated as 37.5% of Select L SNF Copayment. This percentage is based on Select L base period claims.

(B) Medigap A is included and Select L is excluded from the Part A Copay/365 Add'l Days Base Period Claims Expense.

(C) Assumes 97% of Part A copayment claims are waived based on Select experience.

(D) Select L claims are 76.7% of Medigap claims to account for 75% coverage as well as the out of pocket maximum. This percentage is based on Select L base period paid to allowed claims ratio.

**Schedule 10**

**BLUE CROSS & BLUE SHIELD OF RHODE ISLAND**  
**PROJECTION OF JANUARY THROUGH DECEMBER 2020**  
**INCURRED CLAIMS EXPENSE PER CONTRACT MONTH**  
**FOR MEDIGAP PLANS A, B, C AND F AND SELECT PLAN L**

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)		
	Projected Claims Expense per Contract Month 1/1/19 - 12/31/19		Projection Factors	Projected Claims Expense per Contract Month 1/1/20 - 12/31/20							
	Medigap <u>Plan A</u>	All Other <u>Benefits</u>	CY 2020 over <u>CY 2019</u>	All <u>Benefits</u>	Medigap <u>Plan A</u>	Medigap <u>Plan B</u>	Medigap <u>Plan C</u>	Medigap <u>Plan F</u>	Select <u>Plan L</u>		
<u>Plan 65 Benefit</u>											
Part A Deductible		\$31.06	1.0507	\$32.64	-	\$32.64	\$32.64	\$32.64	\$5.67	(A)	
Part A Copay/365 Add'l Days	\$2.33	\$2.33	1.0352	\$2.41	\$2.41	\$2.41	\$2.41	\$2.41	\$0.07	(B)	
Skilled Nursing Facility Copayment		\$19.04	1.0352	\$19.71	-	-	\$19.71	\$19.71	\$15.12	(C)	
Part B Deductible		\$15.42	1.0432	\$16.08	-	-	\$16.08	\$16.08	-		
Coinsurance - Physician	\$135.43	\$76.79	1.0219	\$78.47	\$138.39	\$78.47	\$78.47	\$78.47	\$60.19	(C)	
Coinsurance - Outpatient	\$223.31	\$39.23	1.0469	\$41.07	\$233.78	\$41.07	\$41.07	\$41.07	\$31.50	(C)	
Select Network: Part A <u>Adjustment (PMPM)</u>		\$5.62	1.0495	\$5.90					<u>\$4.53</u>		
<b>Grand Total</b>					<b>\$374.58</b>	<b>\$154.59</b>	<b>\$190.38</b>	<b>\$190.38</b>	<b>\$117.07</b>		

(A) Select L Part A Deductible is calculated as 37.5% of Select L SNF Copayment. This percentage is based on Select L base period claims.

(B) Assumes 97% of Part A copayment claims are waived based on Select experience.

(C) Select L claims are 76.7% of Medigap claims to account for 75% coverage as well as the out of pocket maximum. This percentage is based on Select L base period paid to allowed claims ratio.

**Schedule 11**

**BLUE CROSS & BLUE SHIELD OF RHODE ISLAND**  
**PROJECTION OF JANUARY THROUGH DECEMBER 2019**  
**INCURRED CLAIMS EXPENSE PER CONTRACT MONTH**  
**FOR SELECT PLANS B, C, AND F**  
**PLAN 65 SELECT**

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
					Projected		
	Base Period	Projection Factors		Claims Expense per Contract Month			
	Claims Expense			1/1/19 - 12/31/19			
	Select	CY 2018 over	CY 2019 over	All	Select	Select	Select
<u>Plan 65 Benefit</u>	<u>Plans B, C, F</u>	<u>CY 2017</u>	<u>CY 2018</u>	<u>Benefits</u>	<u>Plan B</u>	<u>Plan C</u>	<u>Plan F</u>
Part A Deductible	\$304,052	1.0315	1.0332	\$3.00	\$3.00	\$3.00	\$3.00
Part A Copay/365 Add'l Days	\$151,465	1.0182	1.0179	\$1.45	\$1.45	\$1.45	\$1.45
Skilled Nursing Facility Copayment	\$1,143,353	0.9816	1.0179	\$10.60	-	\$10.60	\$10.60
Part B Deductible	\$1,643,782	1.0000	1.0109	\$15.42	-	\$15.42	\$15.42
Coinsurance - Physician	\$7,464,753	1.0281	1.0253	\$72.73	\$72.73	\$72.73	\$72.73
Coinsurance - Outpatient	\$3,579,026	1.0430	1.0346	\$35.70	\$35.70	\$35.70	\$35.70
Select Network: Part A	\$5.29	1.0271	1.0281	\$5.58	<u>\$5.58</u>	<u>\$5.58</u>	<u>\$5.58</u>
<u>Adjustment (PMPM)</u>							
<b>Grand Total</b>					<b>\$118.46</b>	<b>\$144.48</b>	<b>\$144.48</b>

**Schedule 12**

**BLUE CROSS & BLUE SHIELD OF RHODE ISLAND**  
**PROJECTION OF JANUARY THROUGH DECEMBER 2020**  
**INCURRED CLAIMS EXPENSE PER CONTRACT MONTH**  
**FOR SELECT PLANS B, C, AND F**  
**PLAN 65 SELECT**

	(1)	(2)	(3)	(4)	(5)	(6)
	Projected	Projection Factors	Projected			
	1/1/19 - 12/31/19	CY 2020 over	Claims Expense per Contract Month			
	Expense per	CY 2019	1/1/20 - 12/31/20			
<u>Plan 65 Benefit</u>	<u>Contract Month</u>		<u>All</u>	<u>Select</u>	<u>Select</u>	<u>Select</u>
			<u>Benefits</u>	<u>Plan B</u>	<u>Plan C</u>	<u>Plan F</u>
Part A Deductible	\$3.00	1.0507	\$3.15	\$3.15	\$3.15	\$3.15
Part A Copay/365 Add'l Days	\$1.45	1.0352	\$1.50	\$1.50	\$1.50	\$1.50
Skilled Nursing Facility Copayment	\$10.60	1.0352	\$10.97	-	\$10.97	\$10.97
Part B Deductible	\$15.42	1.0432	\$16.09	-	\$16.09	\$16.09
Coinsurance - Physician	\$72.73	1.0219	\$74.32	\$74.32	\$74.32	\$74.32
Coinsurance - Outpatient	\$35.70	1.0469	\$37.37	\$37.37	\$37.37	\$37.37
Select Network: Part A	\$5.58	1.0455	\$5.83	<u>\$5.83</u>	<u>\$5.83</u>	<u>\$5.83</u>
<u>Adjustment (PMPM)</u>						
<b>Grand Total</b>				<b>\$122.17</b>	<b>\$149.23</b>	<b>\$149.23</b>

**Schedule 13**

**Plan 65 Medigap and Plan 65 Select**

**Projection Factors**

**Schedule 14**

**BLUE CROSS & BLUE SHIELD OF RHODE ISLAND**  
**PROJECTION FACTORS**  
**CALENDAR YEAR 2018 OVER CALENDAR YEAR 2017**

	(1)	(2)	(3)	(4)
	Projection Factors CY 2018 over CY 2017 (A)			
<u>Plan 65 Benefit</u>	<u>Benefit</u> <u>Changes</u>	<u>Provider</u> <u>Fees</u>	<u>Utilization/</u> <u>Mix</u>	<u>Composite</u>
Part A Deductible	1.0182		1.0130	1.0315
Part A Copay/365 Add'l Days	1.0182		1.0000	1.0182
Skilled Nursing Facility Copayment	1.0182		0.9640	0.9816
Part B Deductible	1.0000		1.0000	1.0000
Coinsurance - Physician	1.0000	1.0050	1.0230	1.0281
Coinsurance - Outpatient	1.0000	1.0126	1.0300	1.0430

(A) The price assumptions for the projection of incurred claims expense by benefit have been developed utilizing the latest information published by CMS and actuarial assumptions where final published numbers are not available.

**Schedule 15**

**BLUE CROSS & BLUE SHIELD OF RHODE ISLAND**  
**PROJECTION FACTORS**  
**CALENDAR YEAR 2019 OVER CALENDAR YEAR 2018**

	(1)	(2)	(3)	(4)
	Projection Factors CY 2019 over CY 2018 (A)			
	<u>Benefit</u>	<u>Provider</u>	<u>Utilization/</u>	
<u>Plan 65 Benefit</u>	<u>Changes</u>	<u>Fees</u>	<u>Mix</u>	<u>Composite</u>
Part A Deductible	1.0179		1.0150	1.0332
Part A Copay/365 Add'l Days	1.0179		1.0000	1.0179
Skilled Nursing Facility Copayment	1.0179		1.0000	1.0179
Part B Deductible	1.0109		1.0000	1.0109
Coinsurance - Physician	0.9997	1.0025	1.0230	1.0253
Coinsurance - Outpatient	0.9997	1.0126	1.0220	1.0346

(A) The price assumptions for the projection of incurred claims expense by benefit have been developed utilizing the latest information published by CMS and actuarial assumptions where final published numbers are not available.

**Schedule 16**

**BLUE CROSS & BLUE SHIELD OF RHODE ISLAND**  
**PROJECTION FACTORS**  
**CALENDAR YEAR 2020 OVER CALENDAR YEAR 2019**

	(1)	(2)	(3)	(4)
	<u>Projection Factors CY 2020 over CY 2019 (A)</u>			
<u>Plan 65 Benefit</u>	<u>Benefit</u> <u>Changes</u>	<u>Provider</u> <u>Fees</u>	<u>Utilization/</u> <u>Mix</u>	<u>Composite</u>
Part A Deductible	1.0352		1.0150	1.0507
Part A Copay/365 Add'l Days	1.0352		1.0000	1.0352
Skilled Nursing Facility Copayment	1.0352		1.0000	1.0352
Part B Deductible	1.0432		1.0000	1.0432
Coinsurance - Physician	0.9989	1.0000	1.0230	1.0219
Coinsurance - Outpatient	0.9989	1.0255	1.0220	1.0469

(A) The price assumptions for the projection of incurred claims expense by benefit have been developed utilizing the latest information published by CMS and actuarial assumptions where final published numbers are not available.

**Schedule 17**

**Plan 65 Medigap and Plan 65 Select**

**Supporting Calculations**

**Schedule 18**

**BLUE CROSS & BLUE SHIELD OF RHODE ISLAND**  
**CALCULATION OF INCOME AT PRESENT RATES**  
**CONTRACTS AT DECEMBER 2017**  
**PLAN 65 MEDIGAP AND PLAN 65 SELECT**

	(1)	(2)	(3)	(4)	(5)
	<u>December 2017</u>	<u>Present Monthly</u>	<u>Present Monthly</u>	<u>Impact of</u>	<u>Redistributed</u>
	<u>Contracts</u>	<u>Subscription Rates</u>	<u>Subscription Rates</u>	<u>Age-in</u>	<u>Present Monthly</u>
		<u>Effective Jul 2018</u>	<u>w/o Age-in Credit</u>	<u>Credit</u>	<u>Subscription Rate</u>
			(A)	(B)	(C)
<b>Plan 65 Medigap Plan A</b>					
Discount Rate	2	\$183.48	\$183.48		
Base Rate	574	\$203.86	\$203.86		
Age-in Ages 65-67	2	\$132.51	\$203.86		
Age-in Ages 68-70	13	\$159.01	\$203.86		
Age-in Ages 71-72	5	\$183.47	\$203.86		
Total Medigap Plan A	596	\$202.40	\$203.79	1.0506	\$193.97
<b>Plan 65 Medigap Plan B</b>					
Discount Rate	54	\$150.39	\$150.39	1.0506	\$143.15
<b>Plan 65 Medigap Plan C</b>					
Discount Rate	976	\$222.36	\$222.36		
Base Rate	5,263	\$247.06	\$247.06		
Total Medigap Plan C	6,239	\$243.20	\$243.20	1.0506	\$231.49
<b>Plan 65 Medigap Plan F</b>					
Base Rate	236	\$238.56	\$238.56		
Age-in Ages 65-67	933	\$155.06	\$238.56		
Age-in Ages 68-70	208	\$186.08	\$238.56		
Age-in Ages 71-72	65	\$214.70	\$238.56		
Total Medigap Plan F	1,442	\$175.89	\$238.56	1.0506	\$227.07
<b>Plan 65 Select Plan B</b>					
Base Rate	21	\$144.99	\$144.99		
Transfer Rate	10	\$176.24	\$176.24		
Total Select Plan B	31	\$155.07	\$155.07	1.0506	\$147.60
<b>Plan 65 Select Plan C</b>					
Base Rate	6,565	\$184.64	\$184.64		
Transfer Rate	515	\$236.11	\$236.11		
Total Select Plan C	7,080	\$188.38	\$188.38	1.0506	\$179.31
<b>Plan 65 Select Plan F</b>					
Base Rate	356	\$178.29	\$178.29		
Transfer Rate	0	\$227.99	\$227.99		
Age-in Ages 65-67	1,148	\$115.89	\$178.29		
Age-in Ages 68-70	332	\$139.07	\$178.29		
Age-in Ages 71-72	109	\$160.46	\$178.29		
Total Select Plan F	1,945	\$133.77	\$178.29	1.0506	\$169.70
<b>Plan 65 Select Plan L</b>					
Discount Rate	66	\$142.19	\$142.19	1.0506	\$135.34
<b>Grand Total Plan 65</b>					
	<b>17,453</b>	<b>\$200.99</b>	<b>\$211.17</b>	<b>1.0506</b>	<b>\$201.00</b>

(A) Plan 65 present monthly subscription income assuming no age-in credit rates.

(B) Total Plan 65 present monthly subscription income without age-in credit, divided by total Plan 65 present monthly subscription income (column 3 total, divided by column 2 total).

(C) Present monthly subscription rates with impact of age-in credit evenly distributed across plans (column 3, divided by column 4)

**Schedule 19**

**BLUE CROSS & BLUE SHIELD OF RHODE ISLAND**  
**CALCULATION OF PART A AND PART B DEDUCTIBLES AND BENEFIT FACTORS**  
**PLAN 65 MEDIGAP AND SELECT**

**Deductibles and Copayments**

<u>Effective Date</u>	<u>Part A Deductible</u>	<u>Part A Copayment Days 61 - 90 (C)</u>	<u>Lifetime Reserve Days Copayments Days 91 - 150 (D)</u>	<u>SNF Copayments Days 21 - 100 (E)</u>	<u>Part B Deductible</u>
1. January 1, 2017 (A)	\$1,316	\$329	\$658	\$164.50	\$183
2. January 1, 2018 (A)	\$1,340	\$335	\$670	\$167.50	\$183
3. January 1, 2019 (A)	\$1,364	\$341	\$682	\$170.50	\$185
4. January 1, 2020 (B)	\$1,412	\$353	\$706	\$176.50	\$193

**Price Factors**

<u>Benefit Factor Effective Date</u>	<u>Part A Deductible</u>	<u>Part A Copayment Days 61 - 90</u>	<u>Lifetime Reserve Days Copayments Days 91 - 150</u>	<u>SNF Copayments Days 21 - 100</u>	<u>Part B Deductible</u>
5. January 1, 2018 (F)	1.0182	1.0182	1.0182	1.0182	1.0000
6. January 1, 2019 (G)	1.0179	1.0179	1.0179	1.0179	1.0109
7. January 1, 2020 (H)	1.0352	1.0352	1.0352	1.0352	1.0432

(A) Actual copayments and deductibles.

(B) The estimated 2020 Part A deductible reflects the 2018 CMS Trustee's Report, which estimated the amount to be \$1,424, less the \$12 difference in the 2019 actual deductible and the 2019 estimate shown in the Trustee's Report. The estimated 2020 Part B Deductible is the amount shown in the Trustees Report.

(C) By law the Part A copayment for days 61 through 90 of an inpatient stay is 1/4 of the Part A deductible per day.

(D) By law the copayment for days 91 through 150 of an inpatient stay is 1/2 of the Part A deductible per day.

(E) By law the copayment for days 21 through 100 of an SNF stay is 1/8 of the Part A deductible per day.

(F) Line 2 divided by line 1.

(G) Line 3 divided by line 2.

(H) Line 4 divided by line 3.

Blue Cross & Blue Shield of Rhode Island is an independent licensee of the Blue Cross and Blue Shield Association.

March 12, 2019

Office of the Health Insurance Commissioner  
1511 Pontiac Avenue, Bldg. 69-1  
Cranston, RI 02920

Subject: Filing of Non-Group Subscription Rates for Medigap Plans A, B, C, F, G, and N, and  
Medigap Select Plans B, C, F, and L

Dear Commissioner Ganim:

This letter and the enclosed documents comprise a filing by Blue Cross & Blue Shield of Rhode Island (“BCBSRI”) of new non-group subscription rates for BCBSRI’s Medigap and Medigap Select Plans (also referred to as “Plan 65” and “Plan 65 Select,” respectively). The enclosed documents include detailed rate calculation schedules and a summary of the actuarial steps and assumptions.

Please note that, due to changes required by the Medicare Access and CHIP Reauthorization Act of 2015 (MACRA), BCBSRI will no longer offer Medigap F and Select F to newly eligible Medicare beneficiaries on or after January 1, 2020 . Medigap C and Select C are already closed to new enrollment. These changes do not have a rate impact.

There are four updates to the Plan 65 rating methodology, effective July 1, 2019, that I would like to highlight. First, to calculate the required rate by plan, we are scaling variable administrative expenses to align with claims. This change produces no overall rate impact, but better captures the correlation between claims costs and administrative expenses. It allows us to allocate administrative expenses in a way that produces more consistent projected loss ratios across products, prior to subsidization.

Second, we now have a full base year of tobacco use status for members enrolled since May 1, 2016. In CY 2017, on average, 92% of this population identified as non-tobacco users. Thus, we are updating our pricing assumptions to reflect that 92% of the population does not use tobacco (our prior assumption was 90%). This produces a minimal impact to the final rates, which is not reflected in the expected rate changes or on Schedule 8. The impact is a rate increase of about 0.2% to members enrolled on or after May 1, 2016, to account for fewer members paying the 10% premium differential.

The third item is that in our calculation of Medigap Plan N rates, we have modified our relativity methodology to use our own data where applicable in place of Milliman factors. This produces a lower rate relativity for Plan N, resulting in lower Plan N rates.

Finally, effective July 1, 2019 we will no longer offer Medigap A to new members outside of the six-month Medicare open enrollment period at age 65 and guaranteed issue enrollment periods. This is consistent with enrollment eligibility for our other plans as well as Medigap offerings

from other carriers. These enrollment changes are intended to help keep Plan 65 rates more affordable for everyone. In this filing, this change reduces the overall rate need by 0.1%. Over time, this change will reduce the subsidy required for Medigap A, improving rates in all plans.

In compliance with the filing fee requirements contained in Section 42-14-18 of the General Laws of Rhode Island, an electronic funds transfer (EFT) in the amount of \$250.00 payable to "General Treasurer, State of Rhode Island" has been initiated for this submission. The policy forms pertaining to this filing are Plan 65 A (01-19), Plan 65 B (01-19), Plan 65 C (01-19), Plan 65 F (01-19), Plan 65 G (01-19), Plan 65 N (01-19), Plan 65 Select B (01-19), Plan 65 Select C (01-19), Plan 65 Select L (01-19), Plan 65 Select F (01-19), and Plan 65 Outline (01-19).

We respectfully ask for your timely approval of this filing as submitted.

As always, we shall be pleased to provide any additional information that you and/or the consulting actuary may require.

Sincerely,



Kurt C. Ringo, ASA, MAAA  
Chief Actuary

cc: Ms. Monica Neronha, Esquire

**Actuarial Summary  
Plan 65 Non-Group Rate Filing  
Effective July 1, 2019**

Plan 65 and Plan 65 Select products for non-group subscribers are made available by Blue Cross & Blue Shield of Rhode Island (BCBSRI) in accordance with 230-RICR-20-30-7 (formerly OHIC Regulation 8). As defined by 230-RICR-20-30-7, non-group Medicare supplemental programs (Medigap and Medigap Select) are designed to supplement, or fill specific gaps in Medicare benefits.

As of December 2018, there are 17,760 subscribers enrolled in BCBSRI's Plan 65 and Plan 65 Select non-group plans.

The current subscription rates were filed on January 29, 2018, and approved by the Office of the Health Insurance Commissioner ("OHIC") on April 4, 2018. They are effective from July 1, 2018 through June 30, 2019.

The requested rates have been calculated using Calendar Year 2017 experience and trend assumptions through June 2020. We are proposing these rates apply for twelve months commencing July 1, 2019 and ending June 30, 2020.

➤ **General Methodology**

This actuarial summary describes the processes for calculating the Plan 65 required rates for our Medigap and Medigap Select (Select) plans. References to specific schedules in the rate calculations are underlined.

The required rate per contract per month (PCPM) for every plan consists of two parts: the projected claims expense, or projected pure premium, and the retention components. The projected pure premium is calculated by projecting the claims expense for each benefit into the rating period through the use of projection factors and adding the appropriate benefit components together to get the total projected pure premium for each plan. The retention components are administrative expenses, investment income credit, contribution to corporate reserve, and state taxes. The projected pure premium is added to the retention components to obtain the required rate. Then, the required rate is divided by the present weighted average subscription income to produce the required rate adjustment factor. The present rates within each rate band are multiplied by this factor to derive the required rates for each product. These processes will be described in more detail later in the summary.

The claims base used in this rate filing consists of experience from eight products: Medigap Plan A, Medigap Plan B, Medigap Plan C, Medigap Plan F, Select Plan B, Select Plan C, Select Plan F, and Select Plan L. Because the enrollment in some of the products is very low, these products are not credible priced on their own and are pooled with other products for the purpose of claims projection. Medigap Plan A experience

was considered on its own because historically, its eligibility requirements have differed considerably from those of the other plans. Medigap Plan B, Medigap Plan C, Medigap Plan F, and Select Plan L were pooled together. Select Plan B, Select Plan C, and Select Plan F were pooled together and rated based on their combined experience.

The claims base represents calendar year 2017 claims data for all benefits with the exception of the Part A Co-payment and 365 Additional Days benefits. Due to the erratic nature of these benefits, we have chosen not to project their pure premiums using our standard methodology. The claims base for the Part A Co-payment/365 Additional Days benefits uses an average of the 2013 through 2016 pure premiums for each pool, price projected to calendar year 2017.

### ➤ **Projected Pure Premium**

The projected pure premiums for all plans are calculated by projecting the claims expense PCPM from the base year 2017 to the July 2019 – June 2020 rating period through the use of composite projection factors. These composite factors reflect changes in benefits, provider fees, and utilization/mix of services from year to year.

### **Benefit Changes**

The factor for benefit changes reflect the change in Medicare deductibles and co-payments for each benefit. In most cases, the benefit change factor is the projection year deductible or co-payment divided by the deductible or co-payment from the previous year. The benefit changes for each benefit are detailed below and in Schedules 14-16.

- Since the Part A Co-payment/365 Additional Day and Skilled Nursing Facility (SNF) Co-payment are directly proportional to the Part A Deductible, all three benefits will increase at the same rate. Therefore, they share the same benefit change factors. The Part A Deductible values for 2017 through 2019 are the actual deductible amounts as published in the Federal Register. The estimated 2020 Part A deductible reflects the 2018 CMS Trustee's Report released June 5, 2018 (Trustee's Report), which estimated the amount to be \$1,424, less the \$12 difference in the 2019 actual deductible and the 2019 estimate shown in the Trustee's Report.
- The Part B Deductibles from 2017 through 2019 reflect the actual deductible amounts as published in the Federal Register. The estimated 2020 Part B deductible reflects the estimate set forth in the Trustee's Report.
- The benefit change factor for the Part B Coinsurances is the estimated decrease in Part B coinsurance claims cost due to the estimated increase in the Part B Deductible. This decrease is attributed to the fact that an increase in the Part B deductible will result in a decrease in the Part B Coinsurance, since the coinsurances for Part B services are determined only after the Part B Deductible is met. The calculation is shown for each benefit change factor on their respective

schedules. These factors are applied to coinsurances for physician and outpatient services.

- Schedules 9 through 12 include PMPM’s for the Select Network Part A adjustment. Historically hospital deductible and coinsurance claims expenses for Select plans have been waived by the hospitals in the Select network in exchange for being included in the network. Starting January 1, 2016, certain hospitals waive only a portion of these expenses, and the remaining claims expenses are paid by BCBSRI as out of system payments. There are no changes to the hospitals in the network and members will not see any change in their benefit; however, this payment practice impacts pricing on the Select products.

**Provider Fees**

The provider fees factors shown on Schedules 14-16 represent fee changes in physician services and outpatient services that affect the respective Part B Coinsurances.

For the physician services conversion factor, we have utilized 0.5% for 2018, 0.25% for 2019, and 0.0% for 2020. These are the amounts provided in the narrative on page 128 of the Trustee’s Report.

The estimated provider fee changes effective for Part B outpatient coinsurances beginning 2018, 2019, and 2020 are 1.26%, 1.26%, and 2.55%, respectively. The outpatient provider fee changes are determined by applying an outpatient prospective payment fee increase to the portion of claims that will experience an increase in payment. The outpatient prospective payment fee increase is calculated as the year over year hospital deductible change, since they are both based on the hospital market basket increase. Some services’ copayments are currently at greater than 20% of the total cost of the service, and as such, the copayments for these services are not expected to increase. BCBSRI calculated these increases as summarized below:

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
1) Hospital Deductible	\$1,316	\$1,340	\$1,364	\$1,412
2) Increase in conversion factor		1.82%	1.79%	3.52%
<u>3) Portion of Copayments to increase</u>		<u>69.3%</u>	<u>70.6%</u>	<u>72.4%</u>
4) Part B OP Copay Trend (line 2x3)		1.26%	1.26%	2.55%

**Utilization/Mix**

The utilization/mix trend factor represents the increase in utilization of services from year to year and the changes in the mix of services used. This factor is calculated using trend analysis for each benefit.

Three years of claims experience per contract per month is used to create trend lines. All benefits are converted to their calendar year 2015 price level by dividing out the price factors for each year relative to calendar year 2015. This process is known as “de-pricing,” and it assures that any changes in pure premium from year to year are attributed only to changes in utilization and mix of services.

Trend lines are fit to sets of data points utilizing the method of linear least-squares, which is a statistical technique for quantifying trend levels. Linear least-squares has been used for calculating trends for past rate filings. The principle of least squares states that the line of best fit to a series of observed values is the line where the sum of the squares of the deviations (the deviations between the line and the actual values) are the minimum or “least” possible. While it is possible to subjectively draw a line that best fits the data, this method provides a completely objective way of drawing that line. Following standard Blue Cross procedures, calculations are made to determine the line that best fits the data points with a minimum of the most recent two years of data (the most recent thirteen data points or more). If there does not exist an r-squared value higher than 0.7 with thirteen or more 12-month moving points, or the data is otherwise not conducive to this test, then actuarial judgment is used to select a trend.

The base period used in the filing is calendar year 2017. Additional actual data is provided through June 30, 2018 (except Skilled Nursing Facilities (SNF) Co-Payment, which is provided through March 31, 2018 in order to include additional run out). The selected annual utilization trends consider the additional six months of actual data where appropriate and are as follows:

- The utilization trend for the Part A Deductible is based on the Inpatient Trend. The calculated annual Inpatient Trend is 2.4% with an r-squared value of 0.32 and based on 13 12-month moving points. The r-squared value does not meet the minimum value. Using actuarial judgment, we selected 1.5% for trend beyond CY 2018. Incorporating the additional six months of actual data (the annualized trend from CY 2017 to the last point is 1.1%), a 1.3% trend was chosen for the projection of CY 2017 to CY 2018. This is based on 6 months of actual trend at 1.1% and 6 months of projected trend at 1.5%.
- The selected annual utilization/mix trend factor for the Part A Co-payment/365 Additional Days is 1.000, representing an assumed zero percent (0.0%) increase in utilization and mix. Due to the erratic nature of the benefit, a trend selection of no change is reasonable.
- The selected annual utilization trend factor for the Skilled Nursing Facility (SNF) Co-payment is zero percent (0.0%). The calculated annual trend is -10.7% with an r-squared value of 0.86 and based on 23 12-month moving points. Due to the nature of the SNF benefit, extra time is needed for claims to complete and the data are subject to additional volatility. Given the instability of this benefit, determining the trend at 0.0% is reasonable. Incorporating the additional actual data (the annualized trend from CY 2017 to the last point is -13.7%), a -3.6% trend was selected for the

projection of CY 2017 to CY 2018. This is based on 3 months of actual trend at -13.7% and 9 months of projected trend at 0.0%.

- The annual utilization/mix trend factor for the Part B Deductible is 1.000; representing an assumed zero percent (0.0%) change in utilization and mix. Actuarial judgment is warranted by the cyclical nature of this benefit. The Part B Deductible is relatively small and usually met in the beginning of the year by most subscribers, resulting in a non-linear payment pattern.
- The annual utilization/mix trend factor for the Part B Physician Coinsurance is based on the Professional trend. The calculated annual trend is 2.3% based on 13 12-month moving points, with an r-squared of 0.92. The r-squared value is valid and a 2.3% trend is reasonable, thus 2.3% was selected for trend beyond CY 2018. Incorporating the additional actual data (the annualized trend from CY 2017 to the last point is 2.3%), a 2.3% trend was chosen for the projection of CY 2017 to CY 2018. This is based on 6 months of actual trend at 2.3% and 6 months of projected trend at 2.3%.
- The annual utilization/mix trend factor for the Part B Outpatient Coinsurance is based on the Outpatient trend. The calculated annual trend is 2.2% with an r-squared value of 0.87 and based on 13 12-month moving points. The r-squared value is valid and a 2.2% trend is reasonable, thus 2.2% was selected for trend beyond CY 2018. Incorporating the additional actual data (the annualized trend from CY 2017 to the last point is 3.8%), a 3.0% trend was chosen for the projection of CY 2017 to CY 2018. This is based on 6 months of actual trend at 3.8% and 6 months of projected trend at 2.2%.

The benefit change, provider fee, and utilization/mix factors are multiplied together to get the composite projection factor. The composite projection factor represents the overall increase in the pure premium for each benefit from year to year, as shown on Schedules 14, 15 and 16.

The pure premium for each benefit has been projected and aggregated to obtain the total projected pure premium for each benefit plan for calendar years 2019 and 2020. It was then weighted by the number of months in the projected rate period (6 months in 2019 and 6 months in 2020).

### ➤ Retention

The retention component of the required rate is made up of four parts: the administrative expenses, investment income credit, contribution to reserve, and state tax.

The administrative expenses represent our expected costs for administering the Plan 65 non-group products during the rate period. The administrative expense for calendar year 2019 is \$25.77 PCPM. The 2019 Plan 65 budget was developed by utilizing the 2018

actual cost allocation ratios applied against a projected corporate budget. Areas that are impacted by enrollment were adjusted to reflect the gains/losses in the market place. In addition, areas that are corporate in nature were adjusted to reflect the corporate outlook (i.e. cost reduction strategies, strategic projects, etc.). The budget was also compared by natural account (personal service cost, equipment, consulting, etc.) to prior year actual experience and some adjustments were made based on observed trends. The projected administrative expense for calendar year 2020 is \$24.33 PCPM, a 5.6% decrease over 2019. Thus, the administrative expense is calculated to be \$25.05 PCPM for the rate period.

The investment income credit component represents the reduction of the required subscription income PCPM due to the anticipated return on invested funds. This credit is calculated by looking at the contingency reserves, prepaid subscriptions, and claim reserves and is applied as a percent of premium. This percentage is calculated to be 0.34%.

The contribution to reserve/tax factor of 5.25% accounts for the state premium tax and a reserve contribution. The state premium tax is currently 2.0%, per R.I. General Laws § 44-17-1. The reserve component is 3.25%.

The administrative expenses, investment income, contribution to reserve, and state tax components constitute the retention portion of the required rate.

➤ **Required Rate Adjustment Factor**

As in prior filings for non-group Medigap plans, the required rate changes are reflective of projected higher benefit costs primarily arising from factors beyond the control of BCBSRI. These factors include annual increases established by law in the Medicare Part A and Part B deductible and coinsurance amounts and a continued overall increase in the use of benefits by subscribers. These factors are identified fully in the actuarial schedules accompanying this filing and are utilized in the calculation of the projected claims expense.

All average increases are prior to any change in the tobacco use distribution. The overall required rate change effective July 1, 2019 is 2.9%. Rate changes by plan are shown in the table below:

	Expected Rate Increases						
	Plan A	Plan B	Plan C	Plan F	Plan G	Plan L	Plan N
<b>Plan 65 Medigap</b>	9.0%	2.7%	2.7%	2.7%	-4.7%	--	-11.4%
<b>Plan 65 Select</b>	--	2.7%	2.7%	2.7%	--	2.7%	--

The required rate adjustment factor for a given plan is calculated as the required subscription income divided by the present weighted average subscription income.

The present rate of income (PRI) for each plan is calculated first by dividing the total Plan 65 PRI without age-in credit by the total Plan 65 PRI with age-in credit. This divisional factor is then applied to the PRI without age-in credit for each plan to yield the PRI used for rating purposes. This process ensures an equitable distribution of age-in credit savings for rating purposes. This calculation can be found on Schedule 18. It is important to note that this process does not change the overall required rate increase, but simply distributes the impact of the existing age-in discounts evenly across all plans.

After calculating the PRI, the required rate is divided by the PRI yielding the rate adjustment factor for each plan. The rate adjustment factor represents the required increase to the present rates.

Medigap A is currently the only plan that allows members under age 65 who are eligible for Medicare due to disability or End Stage Renal Disease (ESRD) to enroll. Medigap A is also the only plan that currently has an annual open enrollment period. Effective July 1, 2019, BCBSRI will no longer accept enrollment for members under age 65 who are eligible for Medicare due to disability or End Stage Renal Disease (ESRD). Additionally, BCBSRI will no longer provide an annual enrollment period for individuals enrolled in Medicare to purchase Medigap A. Medigap A will still be available during an individual's 6-month initial open enrollment period, and under guaranteed issue rights. This is consistent with our other plans as well as Medigap offerings from other carriers.

This change to enrollment eligibility will reduce the enrollment in Medigap A, thus reducing the subsidization needed by the other plans. In this filing, we reduced the expected projected member months for Medigap A, shown in Schedule 8, by 117 member months, which reduced the overall rate need by 0.1%.

The selected rate adjustment shown in column 10 of Schedule 8 is 2.7% for Medigap Plan B, Medigap Plan C, Medigap Plan F, Select Plan L, Select Plan B, Select Plan C, and Select Plan F. A single rate adjustment factor was utilized for these plans in order to maintain rate stability in the Select plans. These selections produce the required rate change of 2.9% overall.

The rate adjustment factor is then multiplied by the present monthly subscription rates in each plan to derive the required monthly subscription rates.

Additionally, for members who have enrolled since May 1, 2016, BCBSRI rates incorporate a 10% premium differential between tobacco users and members who identify as non-tobacco users. In prior filings, for pricing purposes, we considered that 90% of the population does not use tobacco. We now have a full base year of tobacco use status on members enrolled since May 1, 2016. In CY 2017, on average, 92% of this population identified as non-tobacco users. Thus, we are updating the pricing assumptions to reflect that 92% of the population does not use tobacco. This produces a

minimal impact to the final rates, which is not reflected in the expected rate changes or on Schedule 8. The impact is a rate increase of about 0.2% to members enrolled on or after May 1, 2016, to account for fewer members paying the 10% premium differential.

Also, subscribers who elect to pay via electronic funds transfer (EFT) will continue to receive a \$2.00 discount off their rate. The proposed rate increase does not include any adjustment for the EFT discount.

➤ **New Plans: Medigap Plan G and Medigap Plan N**

BCBSRI introduced two new plans effective July 1, 2018: Medigap Plan G and Medigap Plan N. Medigap Plan G covers Medicare cost-sharing with the exception of the Part B deductible. Medigap Plan N covers Medicare cost-sharing with the exception of the Part B deductible, \$20 office visit copays, and \$50 emergency room visit copays. This section reviews the rating methodology for these plans.

BCBSRI utilized experience from plans Select B, Select C, and Select F in developing the claims expense estimates for Medigap Plan G and Medigap Plan N shown in column 2 of Schedule 8. Historically, Select C and Select F have been popular choices, particularly for those members looking for a lower-cost product. We can use the Select C and Select F experience as indicative of the membership that would purchase these new plans, particularly in light of the similarity in benefits offered. A benefit adjustment factor was developed using BCBSRI base period data. Induced utilization adjustment factors were developed using the Milliman Medicare Supplement rating tool and applied to covered claims expenses. The below table details the calculation of expected claims expenses for plans G and N shown on Schedule 8.

<u>Cost Category</u>	<u>CY 2019</u>	<u>CY 2020</u>	<u>Rate Year</u>
Part A Deductible	\$26.17	\$27.50	\$26.84
Part A Copay	\$1.96	\$2.03	\$1.99
SNF	\$10.60	\$10.97	\$10.79
Coinsurance - Physician	\$72.73	\$74.32	\$73.53
<u>Coinsurance - Outpatient</u>	<u>\$35.70</u>	<u>\$37.37</u>	<u>\$36.54</u>
Total	\$147.16	\$152.19	\$149.68
Plan F to G Induced Utilization Adjustment			0.983
<u>Exclude Under Age 65</u>			<u>0.970</u>
Plan G Rate Year Expected Claims (Sch 8)			\$142.72
Plan G Rate Year Expected Claims			\$142.72
Plan G to N Benefit Adjustment Calculation			0.875
<u>Plan G to N Induced Utilization Adjustment</u>			<u>0.956</u>
Plan N Rate Year Expected Claims (Sch 8)			\$119.39

➤ **Expected Loss Ratios**

The minimum loss ratio standard of 65% set forth in 230-RICR-20-30-7, applicable to non-group Medigap coverage, including Medigap Select plans, would be met based on the claims projections and required rates contained in this filing. The projected return to subscribers in the form of aggregate benefits as a percentage of earned premiums for the entire period for which the new rates are computed is displayed in the following table. These expected loss ratios are calculated based on the pricing methodology employed in this rate filing, including the pooling mechanism used to project the claims expense for each product.

	<b>Expected Loss Ratios</b>						
	<b>Plan A</b>	<b>Plan B</b>	<b>Plan C</b>	<b>Plan F</b>	<b>Plan G</b>	<b>Plan L</b>	<b>Plan N</b>
<b>Plan 65 Medigap</b>	174.0%	103.4%	78.7%	80.3%	82.6%	--	82.1%
<b>Plan 65 Select</b>	--	79.4%	79.8%	84.3%	--	83.0%	--

➤ **Conclusion**

In conclusion, the pure premium and retention portions of each Medigap and Select plan comprise the total rate for this year's rate filing. The pure premium is projected from calendar year 2017 to the July 2019 - June 2020 rating period using factors accounting for benefit changes, provider fees, and utilization/mix. The retention components encompass our expected administrative expenses, investment income credit, reserve contribution and tax liability. The sum of these components yields the required subscription income. The required subscription income divided by the adjusted present rate of income yields the required rate adjustment factor for each plan.

➤ **Actuarial Certification**

As a member of the American Academy of Actuaries, I confirm that this filing was prepared using generally accepted actuarial principles that were consistently applied. It is my opinion that the proposed premium rates are reasonable in relation to the benefits proposed to be offered and the population anticipated to be covered, and are neither excessive nor deficient. To the best of my knowledge and judgment, this filing is in compliance with applicable laws and regulations.



Kurt C. Ringo, ASA, MAAA  
Chief Actuary



Blue Cross & Blue Shield of Rhode Island (“BCBSRI”) has submitted its annual rate filing for Non-Group Medicare Supplement plans. This document gives an overview of that filing.

**Scope and Range of the Rate Increase:**

BCBSRI has proposed rate changes for July 1, 2019 Non-Group Medicare Supplement plans for Rhode Island members. These rate changes, once approved, will apply to about 17,800 members. The new monthly premium rates will apply to members beginning July 1, 2019.

The average expected rate increase for these plans is 2.9%. Rate changes vary by plan. The range of rate changes members will experience is: -11.3% to 9.2%. This range does not account for changes in premium due to attained age discounts.

**Key Drivers for this Filing:**

Healthcare expenses are driven by:

- how often and how much health care is received (utilization); and
- year to year changes in Medicare deductibles and copayments.

Medicare deductibles and copayments that are covered under these plans are expected to increase. Administrative costs factor into this filing, as do premium taxes paid to the State of Rhode Island.

BCBSRI recognizes that providing affordable healthcare coverage is very important to our members. We continue to work to improve internal operations to moderate both medical and administrative expense trends. And we are teaming up with our healthcare delivery system partners to develop and implement new ways to transform our business.

SERFF Tracking #:

BCBS-131779103

State Tracking #:

Company Tracking #:

2019PL65NG

State: Rhode Island

Filing Company:

Blue Cross &amp; Blue Shield of Rhode Island

TOI/Sub-TOI: MS09 Medicare Supplement - Other 2010/MS09.000 Medicare Supplement Other 2010

Product Name: Plan 65 - Individual

Project Name/Number: July 2019 PL65 Individual/2019PL65NG

## Supporting Document Schedules

<b>Bypassed - Item:</b>	Actuarial Certification - Life & A&H
<b>Bypass Reason:</b>	See Rate/Rule Schedules for supporting documentation
<b>Attachment(s):</b>	
<b>Item Status:</b>	
<b>Status Date:</b>	

<b>Bypassed - Item:</b>	Actuarial Memorandum - A&H Rate Revision Filing
<b>Bypass Reason:</b>	See Rate/Rule Schedules for supporting documentation
<b>Attachment(s):</b>	
<b>Item Status:</b>	
<b>Status Date:</b>	

<b>Bypassed - Item:</b>	A&H Experience
<b>Bypass Reason:</b>	See Rate/Rule Schedules for supporting documentation
<b>Attachment(s):</b>	
<b>Item Status:</b>	
<b>Status Date:</b>	

<b>Bypassed - Item:</b>	Premium Rate Sheets - Life & A&H
<b>Bypass Reason:</b>	See Rate/Rule Schedules for supporting documentation
<b>Attachment(s):</b>	
<b>Item Status:</b>	
<b>Status Date:</b>	