



June 17, 2009

John Lynch
Chief Actuary
Blue Cross & Blue Shield of Rhode Island
444 Westminster Mall
Providence, RI 02903-3279

Re: Claims Projections and Reserve Factors Applicable to Blue Cross & Blue Shield of Rhode Island's Large Group and Small Group Subscription Rates, Filed May 15, 2009

Dear Mr. Lynch:

The Office of the Health Insurance Commissioner has examined the above-referenced filings and has significant concerns about the affordability of Blue Cross' projected rates in the small and large employer group markets. Our concerns are driven in part by the state's dire economic situation and in part by the inadequate justification in the documentation submitted by Blue Cross. Combined, these two factors make approval of your rate filings impossible at this time.

The state's economy has declined to levels not seen in a generation. Currently, the state's unemployment rate exceeds 11 percent. Last year, Rhode Island's economy shrank almost 1 percent, the fourth-worst performance of any state in the Union. Economists predict that Rhode Island will continue to have significant job losses this year and next. They also expect negative growth in the state's gross domestic product this year and perhaps next. When these bleak statistics are layered on top of double-digit, or nearly double digit, annual increases in overall health insurance costs over the last decade, one thing has become clear: Rhode Island employers and employees have reached a tipping point with respect to their ability to pay for health insurance. We are in a crisis and our health care system simply cannot go forward as we have in the past. By filing these rate factors, which appear unjustified based on a review of the filings and the supporting documentation, Blue Cross appears to ignore the current dynamic. If accepted, the filed rate factors would only exacerbate the current cost spiral by further raising business costs. This is simply not acceptable.

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At the outset of this process, I made available to the public detailed financial and actuarial information about your company's filings. Hundreds, perhaps thousands, of employers, members of the public, health policy experts, members of the General Assembly and other political figures have reviewed this information. Over the last few weeks I have solicited and received comments from the many members of the public who wished to weigh in on the filings. I have also heard from members of our General Assembly, the Department of the Attorney General, and other political leaders. The opposition to your company's proposed increases is unanimous and the reasons cited were almost always the same: the state's dire economic condition makes double-digit increases in the cost of health insurance untenable.

For these reasons, I am compelled to request that Blue Cross withdraw its request for a rate increase. If Blue Cross does not do so by Friday June 26, 2009, I will assume that Blue Cross wishes to proceed to a rate hearing and will schedule a hearing pursuant to R.I. Gen Laws §§ 27-19-6 and 27-20-6.

If you have any questions, please feel free to call me.

Very truly yours,

A handwritten signature in blue ink that reads "Christopher F. Koller". The signature is written in a cursive style.

Christopher F. Koller
Health Insurance Commissioner