



2012 Health Insurance Premium Rate Review Final Decision Summary

Introduction

The premiums charged by health insurers to large and small employers are the result of each insurer's: (1) medical expenses, (2) administrative costs, and (3) contributions to reserves and profit. The State of Rhode Island Office of the Health Insurance Commissioner (OHIC) reviews these three components each year with the goal of holding Rhode Island insurers publicly accountable for making health insurance more affordable. The review process concludes when Commissioner Christopher F. Koller issues a final decision approving the average premium increase for the next year for each insurer for both small and large employers.

The 2012 Health Insurance Premium Rate Review Process Final Decision: Key Facts

On August 21, 2012, Commissioner Koller issued his final decision on the filings submitted as a part of the 2012 review process (for rates effective in 2013) by Blue Cross Blue Shield of Rhode Island (BCBSRI), Tufts Health Plan (Tufts), and United Healthcare (United) for both small and large employers.

2013 Small and Large Employer Average Expected Premium Increases: Requested and Approved

Small Employers

Insurer	Requested	Approved
BCBSRI	4.15%*	1.65%
Tufts	6.00%	5.30%
United	6.20%	2.54%

Large Employers

Insurer	Requested	Approved
BCBSRI	5.88%*	3.98%
Tufts	6.00%	4.50%
United	7.80%	5.53%

*Only BCBSRI's requested average expected premium increases include Affordable Care Act assessments of 1.80% for small employers and 1.60% for large employers because BCBSRI did not submit a scenario for OHIC to consider that did not include these assessments.

- **Every insurer was approved for average expected premium increases significantly lower than what they requested.** For example, the final decision lowers BCBSRI's requested 4.15% average premium increase for small employers to 1.65% and lowers United's 6.20% requested average premium increase for small employers to 2.54%.
- **The final decision will result in some of the lowest average expected premium increases seen in several years for both small and large employers.** BCBSRI, Tufts, and United's approved average premium increases for small employers and large employers (with the exception of Tufts for small employers) are the lowest approved since 2010.
- **The expected premium increases are averages.** Employers will see higher/lower rates depending on workforce demographic changes, and for large employers, their own company's medical care use.
- **The final decision takes important steps to contain the current unsustainable growth in medical expense that is driving premium growth even though upward pressure on medical expenses will continue.** OHIC has held insurers accountable for making a good faith effort to meet its expectation that they submit a medical expense increase of no higher than 4.00% as part of their filings by approving as requested medical expense trends close to 4.00% for BCBSRI and Tufts and lowering United's requested medical expense trend that was well above 4.00%.

- **OHIC's Affordability Standards will be reinforced.** As a condition of obtaining these new premium increases, as has also been true in recent years, insurers must continue their work in four areas, known as OHIC's Affordability Standards: (1) increasing investments in primary care, (2) supporting the adoption of the patient-centered medical home, (3) supporting CurrentCare—the state's health information exchange, and (4) implementing publicly accountable hospital payment reform.
- **Accountability for quoted premium increases will increase.** OHIC will institute a quarterly audit process for all renewals to both small and large employers to ensure that the average premium increases quoted correspond to those authorized by the final decision.
- **Federal assessments to fund efforts to increase access, lower costs, and improve quality will be addressed during the 2013 review process.** OHIC has not allowed insurers to charge employers renewing in 2013 for these assessments put into place by the Affordable Care Act that are payable in 2014. These will need to be added to rates during the 2013 review process (for rates effective in 2014).

For More Information

For more information, please visit www.ohic.ri.gov.

2012 Health Insurance Premium Rate Review Summary Tables

The following tables provide a summary of the requested and approved major premium rate components for BCBSRI, Tufts, and United. Please note that the first four components listed are not meant to sum to the average premium increase but do collectively result in the average premium increase.

BCBSRI Small Group Premium Rate Components: Requested and Approved

Rate Component	Requested	Approved
Medical Expense Trend	4.80%	4.80%
Administrative Expense Per Member Per Month	\$62.60	\$59.11
Contribution to Reserves as a Percent of Premium	3.34%	3.34%
Affordable Care Act Assessments	1.80%	0.00%
Average Premium Increase	4.15%	1.65%

BCBSRI Large Group Rate Components: Requested and Approved

Rate Component	Requested	Approved
Medical Expense Trend	3.80%	3.80%
Administrative Expense Per Member Per Month	\$55.04	\$53.47
Contribution to Reserves as a Percent of Premium	3.34%	3.34%
Affordable Care Act Assessments	1.60%	0.00%
Average Premium Increase	5.88%	3.98%

Tufts Small Group Rate Components: Requested and Approved

Rate Component	Requested	Approved
Medical Expense Trend	5.40%	5.40%
Administrative Expense Per Member Per Month	\$62.10	\$59.11
Contribution to Reserves as a Percent of Premium	0.00%	0.00%
Affordable Care Act Assessments	0.00%	0.00%
Average Premium Increase	6.00%	5.30%

Tufts Large Group Rate Components: Requested and Approved

Rate Component	Requested	Approved
Medical Expense Trend	5.40%	5.40%
Administrative Expense Per Member Per Month	\$60.22	\$53.47
Contribution to Reserves as a Percent of Premium	0.00%	0.00%
Affordable Care Act Assessments	0.00%	0.00%
Average Premium Increase	6.00%	4.50%

United Small Group Rate Components: Requested and Approved

Rate Component	Requested	Approved
Medical Expense Trend	10.38%	7.54%
Administrative Expense Per Member Per Month	\$48.36	\$48.36
Contribution to Reserves as a Percent of Premium	2.00%	2.00%
Affordable Care Act Assessments	0.00%	0.00%
Average Premium Increase	6.20%	2.54%

United Large Group Rate Components: Requested and Approved

Rate Component	Requested	Approved
Medical Expense Trend	10.50%	8.65%
Administrative Expense Per Member Per Month	\$41.78	\$41.78
Contribution to Reserves as a Percent of Premium	2.00%	2.00%
Affordable Care Act Assessments	0.00%	0.00%
Average Premium Increase	7.80%	5.53%