

State of Rhode Island Office of the Health Insurance Commissioner 2013 Individual, Small Employer Group, and Large Employer Group Health Insurance Premium Rate Review Process

The following depicts the **requested and approved** essential health benefits (EHB) base rates and the key assumptions in their development for the individual (IND) market filed by Blue Cross Blue Shield of Rhode Island (BCBSRI) and Neighborhood Health Plan of Rhode Island (NHPRI) as part of the Rhode Island Office of the Health Insurance Commissioner's (OHIC) 2013 rate review process (for rates effective in 2014).

Individual EHB Base Rate Summary | Requested and Approved

NOTE: The following factors represent drivers of the requested and suggested rate increases.
They are calculated on different bases and do not sum to the total annual (year-over-year) rate of increase.

	BCBSRI IND		NHPRI IND	
	Requested	Approved <i>Pending final review</i>	Requested	Approved
EHB Base Rate¹	\$330.97	\$313.85	\$344.68	\$311.88
Annualized Medical Expense Trend Assumptions				
Hospital Inpatient	6.8%	3.7%		
Hospital Outpatient	8.2%	7.4%		
Primary Care	14.6%	14.6%		
Other Physician	5.9%	5.9%		
Pharmacy	-1.2%	-1.2%		
Capitation	N/A	N/A		
State Assessments ²	5.9%	5.9%		
Total Weighted Medical Trend	5.6%	4.5%	5.8%	5.8%
One-time Adjustments due to the ACA				
Demographic Changes and Pent-up Demand ³	5.0%	0.0%	18.2%	5.1%
EHB Benefits ⁴				
Other ⁵			7.1%	7.1%
ACA Fees ⁶	1.8%	1.8%	0.0%	0.0%
Risk Adjustment Program ⁷	0.0%	0.0%	-2.4%	0.0%
Reinsurance Recoveries ⁸	-10.6%	-10.6%	-9.8%	-9.8%
Non-Medical Portion of Premium				
Administrative Expense PMPM amount	\$52.05	\$48.31	\$48.74	\$48.74
State Premium Tax, % of Premium	2.0%	2.0%	2.0%	2.0%
Contribution to Reserves, % of Premium	2.0%	2.0%	3.0%	2.0%

¹ Represents the monthly average rate for a standard plan for a 21-year old for a given insurer in a given market, excluding the cost of pediatric dental

² Represents costs associated with Children's Health Account Assessment, the Child Immunization Assessment, and the Adult Immunization Assessment

³ Represents costs associated with the health status of the insured population in 2014 as compared to the current insured population as well as pent-up demand for the newly insured

⁴ Represents costs of additional benefits guaranteed under the ACA including habilitative services, mental health parity, hearing aids, and pediatric vision

⁵ Represents miscellaneous impacts not accounted for elsewhere; for NHPRI, induced demand for cost sharing reduction plans and pharmacy device tax

⁶ Represents costs associated with ACA's health insurance annual fee, and Patient-Centered Outcomes Research Trust Fund fee but excludes \$5.25 per member per month Transitional Reinsurance Program fee. NHPRI, as a Medicaid Managed Care Organization, is exempt from these fees

⁷ Represents impact of ACA's Risk Adjustment Program that will shift funding between insurers to adjust for differences in health status among insurer membership in a given market in an expense neutral way across a given market

⁸ Represents reimbursement to insurers for some expenses resulting from covering high-cost individuals through the ACA's Transitional Reinsurance Program net of the fees to fund the program

Shading indicates the approved factor differs from the requested factor

For more information, please visit <http://www.ohic.ri.gov/2013%20Rate%20Factor%20Review.php>.

State of Rhode Island Office of the Health Insurance Commissioner 2013 Individual, Small Employer Group, and Large Employer Group Health Insurance Premium Rate Review Process

The following depicts the **requested and approved** essential health benefits (EHB) base rates and the key assumptions in their 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 United Healthcare (United) as part of the Rhode Island Office of the Health Insurance Commissioner’s (OHIC) 2013 rate review process (for rates effective in 2014). Tufts and United filed separately for their HMO and PPO plans.

Small Group EHB Base Rate Summary | Requested and Approved

NOTE: The following factors represent drivers of the requested and suggested rate increases.

Due to changes in how the small group and individual market rates must be reviewed, per the ACA, these factors are calculated on different bases and do not sum to the total annual (year-over-year) rate of increase.

	BCBSRI SG		NHPRI SG		Tufts HMO SG		Tufts PPO SG		United HMO SG ⁹		United PPO SG ⁹	
	Requested	Approved	Requested	Approved	Requested	Approved	Requested	Approved	Requested	Proposed	Requested	Proposed
EHB Base Rate¹	\$355.97	\$347.58	\$327.74	\$320.59	\$375.11	\$368.87	\$377.72	\$371.41	\$375.38	\$344.44	\$368.03	\$348.31
Annualized Medical Expense Trend Assumptions												
Hospital Inpatient	9.4%	7.8%			5.2%	5.2%	5.2%	5.2%	4.8%	4.8%	4.8%	4.8%
Hospital Outpatient	9.2%	8.4%			6.5%	6.5%	6.5%	6.5%	10.8%	8.4%	10.8%	8.4%
Primary Care	13.7%	13.7%			2.7%	2.7%	2.7%	2.7%	6.2%	6.2%	6.2%	6.2%
Other Physician	5.4%	5.4%			5.8%	5.8%	5.8%	5.8%	7.4%	5.5%	7.4%	5.5%
Pharmacy	1.4%	1.4%			9.7%	9.7%	9.7%	9.7%	10.2%	7.9%	10.2%	7.9%
Capitation	0.0%	N/A			N/A	N/A	N/A	N/A	1.8%	1.8%	1.8%	1.8%
State Assessments ²	16.1%	7.1%										
Total Weighted Medical Trend	6.9%	6.1%	5.8%	5.8%	6.2%	6.2%	6.2%	6.2%	7.8%	6.4%	7.8%	6.4%
One-Time Adjustments Due to ACA												
Demographic Changes and Pent-up Demand ³	0.8%	0.8%	-0.4%	-0.4%	0.0%	0.0%	0.0%	0.0%	4.1%	0.6%	0.3%	0.6%
EHB Benefits ⁴					0.5%	0.5%	0.5%	0.5%	4.7%	4.7%	4.7%	4.7%
Other ⁵			0.3%	0.3%					4.5%	1.3%	4.5%	1.3%
ACA Fees ⁶	2.7%	2.7%	0.0%	0.0%	0.8%	0.8%	1.7%	1.7%	2.7%	2.7%	2.6%	2.6%
Risk Adjustment Program ⁷	-1.2%	-1.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	3.3%	3.3%	3.3%	3.3%
Non-Medical Portion of Premium												
Administrative Expense, PMPM amount	\$52.07	\$50.27	\$46.90	\$46.90	\$54.25	\$51.30	\$56.68	\$51.30	\$51.98	\$51.98	\$51.98	\$51.98
State Premium Tax	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Federal Income Tax	0.75%	0.00%										
Contribution to Reserves	3.34%	3.34%	3.0%	2.0%	0.0%	0.0%	0.0%	0.0%	3.0%	2.0%	3.0%	2.0%

¹ Represents the monthly average rate for a standard plan for a 21-year old for a given insurer in a given market, excluding the cost of pediatric dental

² Represents costs associated with Children’s Health Account Assessment, the Child Immunization Assessment, and the Adult Immunization Assessment

³ Represents costs associated with the health status of the insured population in 2014 as compared to the current insured population as well as pent-up demand for the newly insured

⁴ Represents costs of additional benefits guaranteed under the ACA including habilitative services, mental health parity, hearing aids, and pediatric vision

⁵ Represents miscellaneous impacts not accounted for elsewhere; for NHPRI, induced demand for cost sharing reduction plans and pharmacy device tax

⁶ Represents costs associated with ACA’s health insurance annual fee, and Patient-Centered Outcomes Research Trust Fund fee but excludes \$5.25 per member per month Transitional Reinsurance Program fee. NHPRI, as a Medicaid Managed Care Organization, is exempt from these fees

⁷ Represents impact of ACA’s Risk Adjustment Program that will shift funding between insurers to adjust for differences in health status among insurer membership in a given market in an expense neutral way across a given market

⁸ Represents reimbursement to insurers for some expenses resulting from covering high-cost individuals through the ACA’s Transitional Reinsurance Program net of the fees to fund the program

Shading indicates the approved factor differs from the requested factor

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State of Rhode Island Office of the Health Insurance Commissioner
2013 Individual, Small Employer Group, and Large Employer Group Health Insurance Premium Rate Review Process

The following depicts the **requested and approved** essential health benefits (EHB) base rates and the key assumptions in their development for the large employer group (LG) market filed by Blue Cross Blue Shield of Rhode Island (BCBSRI), Tufts Health Plan (Tufts), and United Healthcare (United) as part of the Rhode Island Office of the Health Insurance Commissioner's (OHIC) 2013 rate review process (for rates effective in 2014).

Large Group EHB Base Rate Summary | Requested and Approved

	BCBSRI LG		Tufts HMO LG		United HMO LG ⁹	
	Requested	Proposed	Requested	Proposed	Requested	Proposed
Annualized Medical Expense Trend Assumptions						
Hospital Inpatient	9.5%	7.9%	5.2%	5.2%	6.7%	6.2%
Hospital Outpatient	9.2%	8.4%	6.5%	6.5%	12.9%	9.5%
Primary Care	13.7%	13.7%	2.7%	2.7%	8.0%	7.4%
Other Physician	5.8%	5.8%	5.8%	5.8%	8.8%	6.5%
Pharmacy	1.3%	1.3%	9.7%	9.7%	12.0%	9.1%
Capitation	0.0%	0.0%	0.0%	0.0%	3.5%	3.0%
Total Weighted Medical Trend	6.9%	6.4%	6.2%	6.2%	9.7%	7.8%
Prior Period Adjustment					0.27%	-0.2%
Adjustments Due to the ACA						
ACA Fees ⁸	3.93%	3.93%	2.8%	2.8%	4.48%	4.48%
Retention Charges Assumptions						
Administrative Expense PMPM	\$60.98	\$58.16	\$67.32	\$65.32	\$53.48	\$53.48
State Premium Tax	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Federal Income Tax	% of Premium 0.75%	0.0%				
Contribution to Reserves	3.34%	3.34%	0.0%	0.0%	2.0%	1.0%
Expected average overall rate of increase						
	17.10%	12.00%	10.00%	9.55%	13.00%	9.70%

⁸ Represents costs associated with ACA's health insurance annual fee, and Patient-Centered Outcomes Research Trust Fund fee but excludes \$5.25 per member per month Transitional Reinsurance Program fee; United's fees imputed by OHIC consulting actuaries

⁹ United's medical expense trend assumptions imputed by OHIC consulting actuaries

Shading indicates the approved factor differs from the requested factor

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