

**Schedule 1**

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

**TABLE OF CONTENTS FOR SCHEDULES**  
**DISPLAYING AND SUPPORTING CALCULATIONS OF REQUIRED**  
**MONTHLY SUBSCRIPTION RATES EFFECTIVE FEBRUARY 1, 2011**

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## Schedule 2

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

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**Schedule 3**

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

## Schedule 4

BLUE CROSS & BLUE SHIELD OF RHODE ISLAND  
CALCULATION OF PLAN B, PLAN C, AND PLAN L  
REQUIRED MONTHLY SUBSCRIPTION RATES  
EFFECTIVE FEBRUARY 1, 2011  
PLAN 65 SELECT

|   | <u>Select B</u> | <u>Select C</u> | <u>Select L</u> |
|---|-----------------|-----------------|-----------------|
| <b>Present Rates Effective February 01, 2010</b>  |                 |                 |                 |
| Discount Rate (A)                                 | \$113.95        | \$141.40        | N/A             |
| Standard Rate (B)                                 | \$138.52        | \$192.70        | \$114.81        |
| First Year Age-in Rate (30% discount) (C)         | N/A             | \$98.98         | \$80.37         |
| Second Year Age-in Rate (20% discount) (C)        | N/A             | \$113.12        | \$91.85         |
| Third Year Age-in Rate (10% discount) (C)         | N/A             | \$127.26        | \$103.33        |
| Required Rate Adjustment Factor (D)               | 1.0695          | 1.0962          | 1.1600          |
| <b>Required Rates Effective February 01, 2011</b> |                 |                 |                 |
| Discount Rate (A)                                 | \$121.87        | \$155.00        | N/A             |
| Standard Rate (B)                                 | \$148.15        | \$211.24        | \$133.18        |
| First Year Age-in Rate (30% discount) (C)         | N/A             | \$108.50        | \$93.23         |
| Second Year Age-in Rate (20% discount) (C)        | N/A             | \$124.00        | \$106.54        |
| Third Year Age-in Rate (10% discount) (C)         | N/A             | \$139.50        | \$119.86        |

(A) The discount rate is open to new enrollees that pass medical underwriting who enroll after their Medigap open enrollment period.

(B) Some existing Plan 65 subscribers may to transfer into the standard rate without medical underwriting. Closed to new enrollees.

(C) Subscribers that enroll in a BCBSRI Plan 65 product within 6 months of eligibility for Medicare Part B will receive a 30% discount for the first year, 20% for the second, and 10% for the third. The age-in discount is applied to the Discount rate for Select C and the Standard rate for Select L. After 3 years of discounts, subscribers will receive the applicable non-discounted rate for the respective products.

(D) The rate adjustment factors for Select B and Select C can be found in schedule 8, column 9. The rate adjustment factor for Select L can be found in schedule 6, column 5.

## Schedule 5

BLUE CROSS & BLUE SHIELD OF RHODE ISLAND  
CALCULATION OF PLAN A, PLAN B, AND PLAN C  
REQUIRED MONTHLY SUBSCRIPTION RATES  
EFFECTIVE FEBRUARY 1, 2011  
PLAN 65 MEDIGAP

|   | <u>Medigap A</u> | <u>Medigap B</u> | <u>Medigap C</u> |
|---|------------------|------------------|------------------|
| <b>Present Rates Effective February 01, 2010</b>  |                  |                  |                  |
| Discount Rate (A)                                 | \$124.42         | N/A              | \$189.50         |
| Base Rate (B)                                     | \$138.24         | \$128.17         | \$210.55         |
| First Year Age-in Rate (30% discount) (C)         | \$96.77          | N/A              | \$147.39         |
| Second Year Age-in Rate (20% discount) (C)        | \$110.59         | N/A              | \$168.44         |
| Third Year Age-in Rate (10% discount) (C)         | \$124.42         | N/A              | \$189.50         |
| Rate Adjustment Factor (D)                        | 1.1067           | 1.1178           | 1.1178           |
| <b>Required Rates Effective February 01, 2011</b> |                  |                  |                  |
| Discount Rate (A)                                 | \$137.69         | N/A              | \$211.82         |
| Base Rate (B)                                     | \$152.99         | \$143.27         | \$235.35         |
| First Year Age-in Rate (30% discount) (C)         | \$107.09         | N/A              | \$164.75         |
| Second Year Age-in Rate (20% discount) (C)        | \$122.39         | N/A              | \$188.28         |
| Third Year Age-in Rate (10% discount) (C)         | \$137.69         | N/A              | \$211.82         |

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

(B) Applicable to new enrollees who apply after their Medigap open enrollment period. Applicants must pass medical underwriting unless they apply for Plan A during open enrollment.

(C) Subscribers that enroll in a BCBSRI Plan 65 product within 6 months of eligibility for Medicare Part B will receive a 30% discount for the first year, 20% for the second, and 10% for the third. The age-in discount is applied to the base rate for Medigap A and Medigap C. After 3 years of discounts, subscribers will receive the applicable non-discounted rate for the respective products.

(D) Rate adjustment factors can be found in schedule 6, column 5.

**Schedule 6**

**BLUE CROSS & BLUE SHIELD OF RHODE ISLAND**  
**CALCULATION OF MODIFIED RATE ADJUSTMENT FACTORS**  
**FOR RATES EFFECTIVE FEBRUARY 1, 2011**  
**PLAN 65 MEDIGAP PLAN A, MEDIGAP PLAN B, MEDIGAP PLAN C, AND SELECT PLAN L**

|                                   | (1)<br>Base Period<br>Contract<br><u>Months</u> | (2)<br>Required<br>Rate Increase<br>(A) | (3)<br>Present<br>Weighted Average<br>Subscription Income<br>(B) | (4)<br>Required<br>Subscription Income<br>(C) | (5)<br>Modified Rate<br>Increase<br>(D) | (6)<br>Modified<br>Subscription Income<br>(E) |
|-----------------------------------|---|---|--|---|---|---|
| <b>Medigap Plan A</b>             | 2,426   | 1.1038                                  | \$133.21   | \$147.04                                      | 1.1067                                  | \$147.42                                      |
| <b>Medigap Plan B</b>             | 1,210   | 1.4200                                  | \$123.70   | \$175.65                                      | 1.1178                                  | \$138.27                                      |
| <b>Medigap Plan C</b>             | 139,585   | 1.1148                                  | \$199.84   | \$222.78                                      | 1.1178                                  | \$223.38                                      |
| <b><u>Select Plan L</u></b>       | <u>2,728</u>                                    | 1.2872                                  | <u>\$110.81</u>  | <u>\$142.63</u>                               | <u>1.1600</u>                           | <u>\$128.54</u>                               |
| <b>Total Medigap and Select L</b> | <b>145,949</b>                                  |   |  | <b>\$219.63</b>                               |   | <b>\$219.64</b>                               |

(A) Per schedule 12, column 9.

(B) Based on contract month distribution as of April 2010. The present rate of income calculation is shown on schedule 16.

(C) Per schedule 12, column 7.

(D) Modified rate increase in situation where rate increase for Select L is capped at 16% and the Medigap B and Medigap C percentage increases are equal. Composite subscription income is equivalent after modifications.

(E) Column 5 times column 3.

**Schedule 7**

**Plan 65 Select: Calculation of Required  
Rate Adjustment Factors  
for Plan B and Plan C**

**Schedule 8**

**BLUE CROSS & BLUE SHIELD OF RHODE ISLAND**  
**CALCULATION OF REQUIRED PLAN B AND PLAN C**  
**RATE ADJUSTMENT FACTORS EFFECTIVE FEBRUARY 1, 2011**  
**PLAN 65 SELECT**

|                      | (1)                                 | (2)                              | (3)  | (4)   | (5)  | (6)  | (7)  | (8)  | (9)  |
|----------------------|-------------------------------------|----------------------------------|--|---|--|--|--|--|--|
|                      | Inurred<br>Claims<br><u>Expense</u> | Administrative<br><u>Expense</u> | Total<br>Incurred<br>Claims and<br>Administrative<br><u>Expense</u><br>(D) | System<br>Replacement<br><u>Expenses</u><br>(E) | Investment<br>Income<br><u>Credit</u><br>(F) | Contribution<br>to Reserve/<br><u>Tax</u><br>(G) | Required<br>Subscription<br><u>Income</u><br>(H) | Present<br>Weighted<br>Average<br>Subscription<br><u>Income</u><br>(I) | Required<br>Rate<br>Adjustment<br><u>Factor</u><br>(J) |
| <b>Select Plan B</b> | \$105.21 (A)                        | \$19.25 (C)                      | \$124.46   | \$0.43  | (\$0.26)                                     | \$2.54   | \$127.17   | \$118.91   | 1.0695   |
| <b>Select Plan C</b> | \$139.58 (B)                        | \$19.25 (C)                      | \$158.83   | \$0.55  | (\$0.33)                                     | \$3.25   | \$162.30   | \$148.06   | 1.0962   |

(A) Per schedule 9, column 7.

(B) Per schedule 9, column 8.

(C) Per schedule 27, column 2.

(D) Sum of column 1 and column 2.

(E) System replacement expenses allocated to Plan 65 rates, which is 0.34% of premium.

(F) Reduction of required subscription income per contract per month due to anticipated return on invested funds, which is 0.21% of claims and administrative expense.

(G) At 0.00% reserve loading plus 0.00% federal tax liability plus 2.00% for state premium assessment: (Column 3 + Column 4+ Column 5) / 0.9800 - (Column 3 + Column 4 + Column 5).  
The premium tax assessment is levied pursuant to section 44-17-1 of the Rhode Island General Laws.

(H) Sum of column 3 through column 6.

(I) Based on contract month distribution as of April 2010. Calculation shown on schedule 16.

(J) Column 7 divided by column 8.



**Schedule 9**

**BLUE CROSS & BLUE SHIELD OF RHODE ISLAND**  
**PROJECTION OF JANUARY THROUGH DECEMBER 2011**  
**INCURRED CLAIMS EXPENSE PER CONTRACT MONTH**  
**FOR PLAN B AND PLAN C**  
**PLAN 65 SELECT**

|                                    | (1)   | (2)  | (3)                     | (4)                        | (5)                     | (6)  | (7)                            | (8)                            |
|------------------------------------|---|--|-------------------------|----------------------------|-------------------------|--|--------------------------------|--------------------------------|
|                                    | Projected Incurred<br>Claims Expense per<br>Contract Month<br><u>1/1/10 - 12/31/10</u><br>(A) | Projection Factors<br>1/1/11 - 12/31/11 over 1/1/10 - 12/31/10 |                         |                            |                         | Projected Incurred<br>Claims Expense per Contract Month<br>1/1/11 - 12/31/11 |                                |                                |
|                                    |   | Benefit<br><u>Changes</u>                                      | Provider<br><u>Fees</u> | Utilization/<br><u>Mix</u> | <u>Composite</u><br>(N) | All<br><u>Benefits</u><br>(O)  | Select<br><u>Plan B</u><br>(P) | Select<br><u>Plan C</u><br>(Q) |
| Part A                             |   |  |                         |                            |                         |  |                                |                                |
| Deductible                         | \$0.87  | 1.0327 (B)   |                         | 1.0000 (H)                 | 1.0327                  | \$0.90   | \$0.90                         | \$0.90                         |
| Copayments                         | \$0.11  | 1.0327 (B)   |                         | 1.0000 (I)                 | 1.0327                  | \$0.11   | \$0.11                         | \$0.11                         |
| 365 Additional Days                | \$2.28  | 1.0240 (C)   |                         | 1.0000 (E)                 | 1.0240                  | \$2.33   | \$2.33                         | \$2.33                         |
| Skilled Nursing Facility Copayment | \$17.83   | 1.0327 (B)   |                         | 1.0388 (J)                 | 1.0728                  | \$19.13  | -                              | \$19.13                        |
| Sub-Total                          | \$21.09   |  |                         |                            |                         | \$22.47  | \$3.34                         | \$22.47                        |
| Part B                             |   |  |                         |                            |                         |  |                                |                                |
| Deductible                         | \$12.92   | 1.1742 (B)   |                         | 1.0000 (K)                 | 1.1742                  | \$15.17  | -                              | \$15.17                        |
| Coinsurance - Physician            | \$65.93   | 0.9953 (D)   | 1.0173 (F)              | 1.0539 (L)                 | 1.0671                  | \$70.35  | \$70.35                        | \$70.35                        |
| Coinsurance - Outpatient           | \$30.42   | 0.9953 (D)   | 1.0073 (G)              | 1.0336 (M)                 | 1.0363                  | \$31.52  | \$31.52                        | \$31.52                        |
| Sub-Total                          | \$109.27  |  |                         |                            |                         | \$117.04   | \$101.87                       | \$117.04                       |
| Foreign Travel Emergency:          | \$0.07  | 1.0000 (E)   |                         | 1.0000 (E)                 | 1.0000                  | \$0.07   | -                              | \$0.07                         |
| Grand Total                        | \$133.93  |  |                         |                            |                         | \$143.61   | \$105.21                       | \$139.58                       |

(A) Per schedule 10, column 7.

(B) Per schedule 17, line 5.

(C) 365 Additional Day increase per hospital market-basket increase in 75 FR 30922 published on June 2, 2010.

(D) Estimated decrease in Part B coinsurance claims cost due to estimated increase in Part B deductible:  $1 - ((\$12.92 \times (1.1742 - 1) \times 20\%) / \$96.35)$ .

(E) Assumed to be no change.

(F) Estimated physician provider fee change effective January 1, 2011 per schedule 18, line 11.

(G) Estimated outpatient provider fee change effective January 1, 2011 per schedule 19, line 10.

(H) Per schedule 20.

(I) Per schedule 21.

(J) Per schedule 22.

(K) Per schedule 23.

(L) Per schedule 24.

(M) Per schedule 25.

(N) Product of column 2 through column 4.

(O) Column 1 multiplied by column 5.

(P) Per column 6 for Plan 65 Select Plan B benefits.

(Q) Per column 6 for Plan 65 Select Plan C benefits.

**Schedule 10**

**BLUE CROSS & BLUE SHIELD OF RHODE ISLAND**  
**PROJECTION OF JANUARY THROUGH DECEMBER 2010**  
**INCURRED CLAIMS EXPENSE PER CONTRACT MONTH**  
**FOR PLAN B AND PLAN C**  
**PLAN 65 SELECT**

|                                    | (1)                |  | (2)                |  | (3)                                      | (4)        | (5)          | (6)       | (7)                | (8)                               | (9)             |
|------------------------------------|--------------------|--|--------------------|--|--|------------|--------------|-----------|--------------------|-----------------------------------|-----------------|
|                                    |                    |  |                    |  |  |            |              |           |                    | Projected Incurred                |                 |
|                                    |                    |  |                    |  |  |            |              |           |                    | Claims Expense per Contract Month |                 |
|                                    |                    |  |                    |  |  |            |              |           |                    | 1/1/10 - 12/31/10                 |                 |
|                                    | Incurred           |  | Incurred Claims    |  | Projection Factors                       |            |              |           |                    |                                   |                 |
|                                    | Claims Expense     |  | Expense per        |  | 1/1/10 - 12/31/10 over 1/1/09 - 12/31/09 |            |              |           | All                | Select                            | Select          |
|                                    | 1/1/09 - 12/31/09  |  | Contract Month     |  | Benefit                                  | Provider   | Utilization/ | Composite | Benefits           | Plan B                            | Plan C          |
|                                    |                    |  |                    |  | Changes                                  | Fees       | Mix          | (R)       |                    | (U)                               | (V)             |
| Part A                             |                    |  |                    |  |  |            |              |           |                    |                                   |                 |
| Deductible                         | \$66,332           |  | \$0.84 (D)         |  | 1.0300 (F)                               |            | 1.0000 (L)   | 1.0300    | \$0.87 (S)         | \$0.87                            | \$0.87          |
| Copayments                         | \$8,679 (A)        |  | \$0.11 (D)         |  | 1.0300 (F)                               |            | 1.0000 (M)   | 1.0300    | \$0.11 (S)         | \$0.11                            | \$0.11          |
| 365 Additional Days                | \$175,938 (B)      |  | \$2.23 (D)         |  | 1.0215 (G)                               |            | 1.0000 (I)   | 1.0215    | \$2.28 (S)         | \$2.28                            | \$2.28          |
| Skilled Nursing Facility Copayment | <u>\$1,298,201</u> |  | <u>\$16.66</u> (E) |  | 1.0300 (F)                               |            | 1.0388 (N)   | 1.0700    | <u>\$17.83</u> (S) | -                                 | <u>\$17.83</u>  |
| Sub-Total                          | \$1,549,150        |  | \$19.84            |  |  |            |              |           | \$21.09            | \$3.26                            | \$21.09         |
| Part B                             |                    |  |                    |  |  |            |              |           |                    |                                   |                 |
| Deductible                         | \$936,606          |  | \$12.02 (E)        |  | 1.1481 (F)                               |            | 1.0000 (O)   | 1.1481    | \$12.92 (T)        | -                                 | \$12.92         |
| Coinsurance - Physician            | \$4,897,420        |  | \$62.07 (D)        |  | 0.9961 (H)                               | 1.0118 (J) | 1.0539 (P)   | 1.0622    | \$65.93 (S)        | \$65.93                           | \$65.93         |
| Coinsurance - Outpatient           | <u>\$2,299,839</u> |  | <u>\$29.15</u> (D) |  | 0.9961 (H)                               | 1.0135 (K) | 1.0336 (Q)   | 1.0435    | <u>\$30.42</u> (S) | <u>\$30.42</u>                    | <u>\$30.42</u>  |
| Sub-Total                          | \$8,133,865        |  | \$103.24           |  |  |            |              |           | \$109.27           | \$96.35                           | \$109.27        |
| Foreign Travel Emergency:          | <u>\$5,290</u> (C) |  | <u>\$0.07</u> (E)  |  | 1.0000 (I)                               |            | 1.0000 (E)   | 1.0000    | <u>\$0.07</u> (S)  | -                                 | <u>\$0.07</u>   |
| Grand Total                        | <u>\$9,688,305</u> |  | <u>\$123.15</u>    |  |  |            |              |           | <u>\$133.93</u>    | <u>\$99.61</u>                    | <u>\$130.43</u> |

(A) Actual claims expense replaced with average of 2006 through 2009 non-group claims expense per contract month projected to 1/1/09 - 12/31/09 for Select Plan B and Select Plan C extended by contract months.

(B) Actual claims expense replaced with average of 2005 through 2008 non-group claims expense per contract month projected to 1/1/09 - 12/31/09 for total Medigap and Select extended by contract months.

(C) Actual claims expense replaced with average of 2006 through 2009 non-group claims expense per contract month projected to 1/1/09 - 12/31/09 for Select Plan C, extended by contract months.

(D) Column 1 divided by 78,896 Select Plan B and Select Plan C contract months for 1/1/09 - 12/31/09.

(E) Column 1 divided by 77,903 Select Plan C contract months for 1/1/09 - 12/31/09.

(F) Per schedule 17, line 4.

(G) 365 Additional Day increase per hospital market basket increase in 74 FR 54579 published on October 22, 2009.

(H) Estimated decrease in Part B coinsurance claims cost due to increase in Part B deductible:  $1 - ((\$12.02 \times (1.1481 - 1) \times 20\%) / \$91.22)$ .

(I) Assumed to be no change

(J) Physician provider fee change effective January 1, 2010 per schedule 18, line 10.

(K) Outpatient provider fee change effective January 1, 2010 per schedule 19, line 10.

(L) Per schedule 20.

(M) Per schedule 21.

(N) Per schedule 22.

(O) Per schedule 23.

(P) Per schedule 24.

(Q) Per schedule 25.

(R) Product of column 3 through column 5.

(S) Column 2 multiplied by column 6.

(T) Part B deductible for 2010 (\$155) divided by 12.

(U) Per column 7 for Plan 65 Select Plan B benefits.

(V) Per column 7 for Plan 65 Select Plan C benefits.

**Schedule 11**

**Plan 65 Medigap: Calculation of Required  
Rate Adjustment Factors  
for Medigap Plan A, Medigap Plan B, Medigap Plan C  
and Select Plan L**

**Schedule 12**

**BLUE CROSS & BLUE SHIELD OF RHODE ISLAND**  
**CALCULATION OF REQUIRED MEDIGAP PLAN A, MEDIGAP PLAN B, MEDIGAP PLAN C, AND SELECT PLAN L**  
**RATE ADJUSTMENT FACTORS EFFECTIVE FEBRUARY 1, 2011**  
**PLAN 65 MEDIGAP AND SELECT PLAN L**

|                       | (1)                           | (2)                              | (3)   | (4)                                      | (5)                                   | (6)                                       | (7)                                       | (8)   | (9)   |
|-----------------------|-------------------------------|----------------------------------|---|--|---------------------------------------|---|---|---|---|
|                       | Incurred<br>Claims<br>Expense | Administrative<br>Expense<br>(E) | Total<br>Incurred<br>Claims and<br>Administrative<br>Expense<br>(F) | System<br>Replacement<br>Expenses<br>(G) | Investment<br>Income<br>Credit<br>(H) | Contribution<br>to Reserve/<br>Tax<br>(I) | Required<br>Subscription<br>Income<br>(J) | Present<br>Weighted<br>Average<br>Subscription<br>Income<br>(K) | Required<br>Rate<br>Adjustment<br>Factor<br>(L) |
| <b>Medigap Plan A</b> | \$124.65 (A)                  | \$19.25                          | \$143.90  | \$0.50                                   | (\$0.30)                              | \$2.94                                    | \$147.04                                  | \$133.21  | 1.1038  |
| <b>Medigap Plan B</b> | \$152.65 (B)                  | \$19.25                          | \$171.90  | \$0.60                                   | (\$0.36)                              | \$3.51                                    | \$175.65                                  | \$123.70  | 1.4200  |
| <b>Medigap Plan C</b> | \$198.77 (C)                  | \$19.25                          | \$218.02  | \$0.76                                   | (\$0.46)                              | \$4.46                                    | \$222.78                                  | \$199.84  | 1.1148  |
| <b>Select Plan L</b>  | \$120.34 (D)                  | \$19.25                          | \$139.59  | \$0.48                                   | (\$0.29)                              | \$2.85                                    | \$142.63                                  | \$110.81  | 1.2872  |

(A) Per schedule 13, column 7.

(B) Per schedule 13, column 8.

(C) Per schedule 13, column 9.

(D) Per schedule 13, column 10.

(E) Per schedule 27, column 2.

(F) Sum of columns 1 and 2.

(G) System replacement expenses allocated to Plan 65 rates, which is 0.34% of premium.

(H) Reduction of required subscription income per contract per month due to anticipated return on invested funds, which is 0.21% of claims and administrative expense.

(I) At 0.00% reserve loading plus 0.00% federal tax liability plus 2.00% for state premium assessment: (Column 3 + Column 4 + Column 5) / 0.9800 - (Column 3 + Column 4 + Column 5). The premium tax assessment is levied pursuant to section 44-17-1 of the Rhode Island General Laws.

(J) Sum of column 3 through column 6.

(K) Based on contract month distribution as of April 2010. The present rate of income calculation shown on schedule 16.

(L) Column 7 divided by column 8.

**Schedule 13**

BLUE CROSS & BLUE SHIELD OF RHODE ISLAND  
PROJECTION OF JANUARY THROUGH DECEMBER 2011  
INCURRED CLAIMS EXPENSE PER CONTRACT MONTH  
FOR MEDIGAP PLAN A, MEDIGAP PLAN B, MEDIGAP PLAN C, AND SELECT PLAN L  
**PLAN 65 MEDIGAP AND SELECT PLAN L**

|   | (1)  | (2)  | (3)                      | (4)                         | (5)              | (6)  | (7)                       | (8)                       | (9)                       | (10)                     |
|---|--|--|--------------------------|-----------------------------|------------------|--|---------------------------|---------------------------|---------------------------|--------------------------|
|   | Projected Incurred<br>Claims Expense per<br>Contract Month<br><u>1/1/10 - 12/31/10</u> | Projection Factors<br>1/1/11 - 12/31/11 over 1/1/10 - 12/31/10 |                          |                             |                  | Projected Incurred<br>Claims Expense per Contract Month<br>1/1/11 - 12/31/11 |                           |                           |                           |                          |
|   |  | <u>Benefit<br/>Changes</u>                                     | <u>Provider<br/>Fees</u> | <u>Utilization/<br/>Mix</u> | <u>Composite</u> | <u>All<br/>Benefits</u>  | <u>Medigap<br/>Plan A</u> | <u>Medigap<br/>Plan B</u> | <u>Medigap<br/>Plan C</u> | <u>Select<br/>Plan L</u> |
|   | (A)  |  |                          |                             | (N)              | (O)  | (Q)                       | (R)                       | (S)                       | (T)                      |
| Part A                                    |  |  |                          |                             |                  |  |                           |                           |                           |                          |
| Deductible                                | \$27.11  | 1.0327 (B)   |                          | 1.0000 (H)                  | 1.0327           | \$28.00  | -                         | \$28.00                   | \$28.00                   | \$0.84                   |
| Copayments                                | \$2.28   | 1.0327 (B)   |                          | 1.0000 (I)                  | 1.0327           | \$2.35   | \$2.35                    | \$2.35                    | \$2.35                    | \$0.07                   |
| 365 Additional Days                       | \$2.28   | 1.0240 (C)   |                          | 1.0000 (E)                  | 1.0240           | \$2.33   | \$2.33                    | \$2.33                    | \$2.33                    | \$2.33                   |
| <u>Skilled Nursing Facility Copayment</u> | <u>\$28.70</u>   | 1.0327 (B)   |                          | 1.0388 (J)                  | 1.0728           | <u>\$30.79</u>   | -                         | -                         | <u>\$30.79</u>            | <u>\$23.09</u>           |
| Sub-Total                                 | \$60.37  |  |                          |                             |                  | \$63.47  | \$4.68                    | \$32.68                   | \$63.47                   | \$26.33                  |
| Part B                                    |  |  |                          |                             |                  |  |                           |                           |                           |                          |
| Deductible                                | \$12.92  | 1.1742 (B)   |                          | 1.0000 (K)                  | 1.1742           | \$15.17  | -                         | -                         | \$15.17                   | -                        |
| Coinsurance - Physician                   | \$74.40  | 0.9960 (D)   | 1.0173 (F)               | 1.0539 (L)                  | 1.0678           | \$79.44  | \$79.44                   | \$79.44                   | \$79.44                   | \$59.58                  |
| <u>Coinsurance - Outpatient</u>           | <u>\$39.08</u>   | 0.9960 (D)   | 1.0073 (G)               | 1.0336 (M)                  | 1.0370           | <u>\$40.53</u>   | <u>\$40.53</u>            | <u>\$40.53</u>            | <u>\$40.53</u>            | <u>\$30.40</u>           |
| Sub-Total                                 | \$126.40   |  |                          |                             |                  | \$135.14   | \$119.97                  | \$119.97                  | \$135.14                  | \$89.98                  |
| <u>Foreign Travel Emergency:</u>          | <u>\$0.16</u>  | 1.0000 (E)   |                          | 1.0000 (E)                  | 1.0000           | <u>\$0.16</u>  | -                         | -                         | <u>\$0.16</u>             | -                        |
| <u>Out-of-Pocket Maximum</u>              | <u>\$3.50</u>  |  |                          |                             |                  | <u>\$4.03 (P)</u>  | -                         | -                         | -                         | <u>\$4.03</u>            |
| <u>Grand Total</u>                        | <u>\$186.93</u>  |  |                          |                             |                  | <u>\$198.77</u>  | <u>\$124.65</u>           | <u>\$152.65</u>           | <u>\$198.77</u>           | <u>\$120.34</u>          |

(A) Per schedule 14, column 7.

(B) Per schedule 17, line 5.

(C) 365 Additional Day increase per hospital market-basket increase in 75 FR 30922 published on June 2, 2010.

(D) Estimated decrease in Part B coinsurance claims cost due to estimated increase in Part B Deductible:  $1 - ((\$12.92 \times (1.1742 - 1) \times 20\%) / \$113.48)$ .

(E) Assumed to be no change.

(F) Estimated physician provider fee change effective January 1, 2011 per schedule 18, line 11.

(G) Estimated outpatient provider fee change effective January 1, 2011 per schedule 19, line 10.

(H) Per schedule 20.

(I) Per schedule 21.

(J) Per schedule 22.

(K) Per schedule 23.

(L) Per schedule 24.

(M) Per schedule 25.

(N) Product of column 2 through column 4.

(O) Column 1 multiplied by column 5.

(P) Projected claims greater than OOP maximum per member. For CY 2011 OOP maximum for Plan L is expected to be \$2,350, which is the 2010 OOP maximum inflated by the estimated increase in national Medicare per capita costs.

(Q) Per column 6 for Plan 65 Medigap Plan A benefits.

(R) Per column 6 for Plan 65 Medigap Plan B benefits.

(S) Per column 6 for Plan 65 Medigap Plan C benefits.

(T) Per column 6 for Plan 65 Medigap Plan L benefits. Part A deductible, SNF copay, and Part B copayment are covered at 75% and the Part A deductibles and copayments have been adjusted to the Select level. Assumes 96% of Part A deductible claims and 97% of Part A copayment claims are waived based on Select experience.

**Schedule 14**

BLUE CROSS & BLUE SHIELD OF RHODE ISLAND  
PROJECTION OF JANUARY THROUGH DECEMBER 2010  
INCURRED CLAIMS EXPENSE PER CONTRACT MONTH  
FOR MEDIGAP PLAN A, MEDIGAP PLAN B, MEDIGAP PLAN C, AND SELECT PLAN L  
**PLAN 65 MEDIGAP AND SELECT PLAN L**

|                                    | (1)   | (2)  | (3)                | (4)                                      | (5)                 | (6)              | (7)             | (8)   | (9)                      | (10)                     | (11)                     |
|------------------------------------|---|--|--------------------|--|---------------------|------------------|-----------------|---|--------------------------|--------------------------|--------------------------|
|                                    |   |  |                    | Projection Factors                       |                     |                  |                 | Projected Incurred<br>Claims Expense per Contract Month |                          |                          |                          |
|                                    | Incurred<br>Claims Expense<br>1/1/09 - 12/31/09 | Incurred Claims<br>Expense per<br>Contract Month |                    | 1/1/10 - 12/31/10 over 1/1/09 - 12/31/09 |                     |                  |                 | 1/1/10 - 12/31/10                                       |                          |                          |                          |
|                                    |   |  | Benefit<br>Changes | Provider<br>Fees                         | Utilization/<br>Mix | Composite<br>(T) | All<br>Benefits | Medigap<br>Plan A<br>(X)                                | Medigap<br>Plan B<br>(Y) | Medigap<br>Plan C<br>(Z) | Select<br>Plan L<br>(AA) |
| Part A                             |   |  |                    |  |                     |                  |                 |   |                          |                          |                          |
| Deductible                         | \$3,777,684                                     | \$26.32 (D)                                      | 1.0300 (H)         |  | 1.0000 (N)          | 1.0300           | \$27.11 (U)     | -   | \$27.11                  | \$27.11                  | \$0.81                   |
| Copayments                         | \$322,547 (A)                                   | \$2.21 (E)                                       | 1.0300 (H)         |  | 1.0000 (O)          | 1.0300           | \$2.28 (U)      | \$2.28  | \$2.21                   | \$2.28                   | \$0.07                   |
| 365 Additional Days                | \$325,466 (B)                                   | \$2.23 (E)                                       | 1.0215 (I)         |  | 1.0000 (K)          | 1.0215           | \$2.28 (U)      | \$2.28  | \$2.23                   | \$2.28                   | \$2.28                   |
| Skilled Nursing Facility Copayment | \$3,816,388                                     | \$26.82 (F)                                      | 1.0300 (H)         |  | 1.0388 (P)          | 1.0700           | \$28.70 (U)     | -   | -                        | \$28.70                  | \$21.53                  |
| Sub-Total                          | \$8,242,085                                     | \$57.58  |                    |  |                     |                  | \$60.37         | \$4.56  | \$31.55                  | \$60.37                  | \$24.69                  |
| Part B                             |   |  |                    |  |                     |                  |                 |   |                          |                          |                          |
| Deductible                         | \$1,691,159                                     | \$12.12 (G)                                      | 1.1481 (H)         |  | 1.0000 (Q)          | 1.1481           | \$12.92 (V)     | -   | -                        | \$12.92                  | -                        |
| Coinurance - Physician             | \$10,216,759                                    | \$70.00 (E)                                      | 0.9967 (J)         | 1.0118 (L)                               | 1.0539 (R)          | 1.0628           | \$74.40 (U)     | \$74.40   | \$74.40                  | \$74.40                  | \$55.80                  |
| Coinurance - Outpatient            | \$5,462,543                                     | \$37.43 (E)                                      | 0.9967 (J)         | 1.0135 (M)                               | 1.0336 (S)          | 1.0441           | \$39.08 (U)     | \$39.08   | \$39.08                  | \$39.08                  | \$29.31                  |
| Sub-Total                          | \$17,370,461                                    | \$119.55   |                    |  |                     |                  | \$126.40        | \$113.48  | \$113.48                 | \$126.40                 | \$85.11                  |
| Foreign Travel Emergency:          | \$22,669 (C)                                    | \$0.16 (G)                                       | 1.0000 (K)         |  | 1.0000 (K)          | 1.0000           | \$0.16 (U)      | -   | -                        | \$0.16                   | -                        |
| Out-of-Pocket Maximum              | -   | -  |                    |  |                     |                  | \$3.50 (W)      |   |                          |                          | \$3.50                   |
| Grand Total                        | \$25,635,215                                    | \$177.29   |                    |  |                     |                  | \$186.93        | \$118.04  | \$145.03                 | \$186.93                 | \$113.30                 |

(A) Actual claims expense replaced with average of 2005 through 2008 non-group claims expense per contract month projected to 1/1/09 - 12/31/09 for Medigap Plan A, Medigap Plan B, Medigap Plan C, and Select Plan L extended by contract months.

(B) Actual claims expense replaced with average of 2004 through 2007 non-group claims expense per contract month projected to 1/1/09 - 12/31/09 for total Medigap and Select, extended by contract months.

(C) Actual claims expense replaced with average of 2005 through 2008 non-group claims expense per contract month projected to 1/1/09 - 12/31/09 for Medigap Plan C, extended by contract months.

(D) Column 1 divided by 143,523 Medigap Plan B, Medigap Plan C, and Select Plan L contract months for 1/1/09 - 12/31/09.

(E) Column 1 divided by 145,949 Medigap Plan A, Medigap Plan B, Medigap Plan C, and Select Plan L contract months for 1/1/09 - 12/31/09.

(F) Column 1 divided by 142,313 Medigap Plan C and Select Plan L contract months for 1/1/09 - 12/31/09.

(G) Column 1 divided by 139,585 Medigap Plan C contract months for 1/1/09 - 12/31/09.

(H) Per schedule 17, line 4.

(I) 365 Additional Day increase per hospital market-basket increase in 74 FR 54579 published on October 22, 2009.

(J) Estimated decrease in Part B coinsurance claims cost due to increase in Part B deductible:  $1 - ((\$12.12 \times (1.1481 - 1) \times 20\%) / \$107.43)$ .

(K) Assumed to be no change.

(L) Physician provider fee change effective January 1, 2010 per schedule 18, line 10.

(M) Outpatient provider fee change effective January 1, 2010 per schedule 19, line 10.

(N) Per schedule 20.

(O) Per schedule 21.

(P) Per schedule 22.

(Q) Per schedule 23.

(R) Per schedule 24.

(S) Per schedule 25.

(T) Product of column 3 through column 5.

(U) Column 2 multiplied by column 6.

(V) Part B deductible for 2010 (\$155) divided by 12.

(W) Projected claims greater than OOP maximum per member. For CY 2010 OOP maximum for Plan L will be \$2,310, per the announcement made by CMS in August 2009.

(X) Per column 7 for Plan 65 Medigap Plan A benefits.

(Y) Per column 7 for Plan 65 Medigap Plan B benefits.

(Z) Per column 7 for Plan 65 Medigap Plan C benefits.

(AA) Per column 7 for Plan 65 Select Plan L benefits. Part A deductible, SNF copay, and Part B copayment are covered at 75% and the Part A deductibles and copayments have been adjusted to the Select level. Assumes 96% of Part A deductible claims and 97% of Part A copayment claims are waived based on Select experience.

**Schedule 15**

**Plan 65 Medigap and Plan 65 Select**

**Supporting Calculations**

**Schedule 16**

**BLUE CROSS & BLUE SHIELD OF RHODE ISLAND**  
**CALCULATION OF INCOME AT PRESENT RATES**  
**AT APRIL 2010**  
**PLAN 65 MEDIGAP AND PLAN 65 SELECT**

|                               | (1)                     | (2)                       | (3)                       | (4)                 | (5)                      |
|-------------------------------|-------------------------|---------------------------|---------------------------|---------------------|--------------------------|
|                               | Contracts               | Present Monthly           | Present Monthly           | Impact              | Redistributed            |
|                               | <u>Effective 4/1/10</u> | <u>Subscription Rates</u> | <u>Subscription Rates</u> | <u>of Age-in</u>    | <u>Present Monthly</u>   |
|                               |                         | <u>Effective 2/1/10</u>   | <u>w/o Age-in Credit</u>  | <u>Credit Rates</u> | <u>Subscription Rate</u> |
|                               |                         |                           | (A)                       | (B)                 | (C)                      |
| <b>Plan 65 Medigap Plan A</b> |                         |                           |                           |                     |                          |
| Discount Rate                 | 3                       | \$124.42                  | \$124.42                  |                     |                          |
| Base Rate                     | 167                     | \$138.24                  | \$138.24                  |                     |                          |
| Year 1 Age-in Rate            | 3                       | \$96.77                   | \$138.24                  |                     |                          |
| Year 2 Age-in Rate            | 10                      | \$110.59                  | \$138.24                  |                     |                          |
| <u>Year 3 Age-in Rate</u>     | <u>7</u>                | <u>\$124.42</u>           | <u>\$138.24</u>           |                     |                          |
| Total Medigap Plan A          | 190                     | \$135.40                  | \$138.02                  | 1.0361              | \$133.21                 |
| <b>Plan 65 Medigap Plan B</b> | 95                      | \$128.17                  | \$128.17                  | 1.0361              | \$123.70                 |
| <b>Plan 65 Medigap Plan C</b> |                         |                           |                           |                     |                          |
| Discount Rate                 | 1,848                   | \$189.50                  | \$189.50                  |                     |                          |
| Base Rate                     | 7,837                   | \$210.55                  | \$210.55                  |                     |                          |
| Year 1 Age-in Rate            | 498                     | \$147.39                  | \$210.55                  |                     |                          |
| Year 2 Age-in Rate            | 429                     | \$168.44                  | \$210.55                  |                     |                          |
| <u>Year 3 Age-in Rate</u>     | <u>494</u>              | <u>\$189.50</u>           | <u>\$210.55</u>           |                     |                          |
| Total Medigap Plan C          | 11,106                  | \$201.65                  | \$207.05                  | 1.0361              | \$199.84                 |
| <b>Plan 65 Select Plan B:</b> |                         |                           |                           |                     |                          |
| Discount Rate                 | 48                      | \$113.95                  | \$113.95                  |                     |                          |
| <u>Standard Rate</u>          | <u>29</u>               | <u>\$138.52</u>           | <u>\$138.52</u>           |                     |                          |
| Total Select Plan B           | 77                      | \$123.20                  | \$123.20                  | 1.0361              | \$118.91                 |
| <b>Plan 65 Select Plan C:</b> |                         |                           |                           |                     |                          |
| Discount Rate                 | 3,287                   | \$141.40                  | \$141.40                  |                     |                          |
| Standard Rate                 | 1,629                   | \$192.70                  | \$192.70                  |                     |                          |
| Year 1 Age-in Rate            | 750                     | \$98.98                   | \$141.40                  |                     |                          |
| Year 2 Age-in Rate            | 663                     | \$113.12                  | \$141.40                  |                     |                          |
| <u>Year 3 Age-in Rate</u>     | <u>634</u>              | <u>\$127.26</u>           | <u>\$141.40</u>           |                     |                          |
| Total Select Plan C           | 6,963                   | \$144.85                  | \$153.40                  | 1.0361              | \$148.06                 |
| <b>Plan 65 Select Plan L:</b> |                         |                           |                           |                     |                          |
| Standard Rate                 | 252                     | \$114.81                  | \$114.81                  |                     |                          |
| Year 1 Age-in Rate            | 2                       | \$80.37                   | \$114.81                  |                     |                          |
| Year 2 Age-in Rate            | 2                       | \$91.85                   | \$114.81                  |                     |                          |
| <u>Year 3 Age-in Rate</u>     | <u>1</u>                | <u>\$103.33</u>           | <u>\$114.81</u>           |                     |                          |
| Total Select Plan L           | 257                     | \$114.32                  | \$114.81                  | 1.0361              | \$110.81                 |
| <b>Grand Total Plan 65</b>    | <b>18,688</b>           | <b>\$177.92</b>           | <b>\$184.34</b>           | <b>1.0361</b>       | <b>\$177.92</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 17**

**BLUE CROSS & BLUE SHIELD OF RHODE ISLAND**  
**CALCULATION OF PART A AND PART B DEDUCTIBLES AND BENEFIT FACTORS**  
**EFFECTIVE JANUARY 1, 2010 AND JANUARY 1, 2011**  
**PLAN 65 MEDIGAP AND SELECT**

### **Deductibles and Copayments**

| <u>Effective Date</u>  | <u>Part A<br/>Deductible</u> | <u>Part A<br/>Copayment<br/>Days 61 - 90 (D)</u> | <u>Lifetime Reserve<br/>Days Copayments<br/>Days 91 - 150 (E)</u> | <u>SNF<br/>Copayments<br/>Days 21 - 100 (F)</u> | <u>Part B<br/>Deductible</u> |
|------------------------|------------------------------|--|---|---|------------------------------|
| 1. January 1, 2009 (A) | \$1,068                      | \$267  | \$534   | \$133.50  | \$135                        |
| 2. January 1, 2010 (B) | \$1,100                      | \$275  | \$550   | \$137.50  | \$155                        |
| 3. January 1, 2011 (C) | \$1,136                      | \$284  | \$568   | \$142.00  | \$182                        |

### **Price Factors**

| <u>Benefit Factor<br/>Effective Date</u> | <u>Part A<br/>Deductible</u> | <u>Part A<br/>Copayment<br/>Days 61 - 90</u> | <u>Lifetime Reserve<br/>Days Copayments<br/>Days 91 - 150</u> | <u>SNF<br/>Copayments<br/>Days 21 - 100</u> | <u>Part B<br/>Deductible</u> |
|--|------------------------------|--|---|---|------------------------------|
| 4. January 1, 2010 (G)                   | 1.0300                       | 1.0300                                       | 1.0300  | 1.0300                                      | 1.1481                       |
| 5. January 1, 2011 (H)                   | 1.0327                       | 1.0327                                       | 1.0327  | 1.0327                                      | 1.1742                       |

(A) The 2009 Part A Deductible was published in vol 73 FR 55087 published on September 24, 2008. The 2009 Part B Deductible was published in vol 73 FR 55089 published on September 24, 2008.

(B) The 2010 Part A Deductible was published in vol 74 FR 54579 published October 22, 2009. The 2010 Part B Deductible was published in vol 74 FR 54571 published on October 22, 2009.

(C) The 2011 Part A deductible is estimated to be the 2010 Part A Deductible inflated by the hospital market basket increase and the expected real case-mix increase. The hospital market basket increase is 2.4% for 2011 according to the proposed inpatient prospective payment system rule CMS-1498-P2, which was published on page 30922 of the Federal Register on June 2, 2010. The 2010 real case-mix increase of 0.8%, as published on page 54580 of the Federal Register on October 22, 2009, is assumed to repeat for 2011.

The 2011 Part B Deductible is the 2010 deductible inflated by the average increase of the Medicare economic index (MEI) physician fee update scenario and the 0% physician fee update scenario in the memo released by the Office of the Actuary concurrent with Trustees Report released on May 12, 2009.

(D) 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.

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

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

(G) Line 2 divided by line 1

(H) Line 3 divided by line 2

**Schedule 18**

**BLUE CROSS & BLUE SHIELD OF RHODE ISLAND  
CALCULATION OF PART B PHYSICIAN FEE CHANGE FACTORS  
EFFECTIVE 2010 AND 2011  
PLAN 65 MEDIGAP AND SELECT**

| <b><u>Calculation of Cumulative Price Factors</u></b> |   |   |   |   |  |
|---|---|---|---|---|--|
| (1)   | (2)                                     | (3)   | (4)   | (5)                                       | (6)  |
| <u>Change Effective</u>                               | <u>Conversion<br/>Factor<br/>Change</u> | <u>Behavioral<br/>Health<br/>Copayment<br/>Adjustment<br/>(C)</u> | <u>Change in<br/>Geographic<br/>Adjustment<br/>Factor (GAF)</u> | <u>Change in<br/>Price Factor<br/>(F)</u> | <u>Cumulative<br/>Price Factor<br/>(G)</u> |
| 1. January 1, 2009                                    |   |   |   |   | 1.0000                                     |
| 2. January 1, 2010                                    | 1.0000                                  | 0.9990  | 1.0000 (D)  | 0.9990                                    | 0.9990                                     |
| 3. June 1, 2010                                       | 1.0220 (A)                              | 1.0000  | 1.0000  | 1.0220                                    | 1.0210                                     |
| 4. January 1, 2011                                    | 1.0100 (B)                              | 1.0000  | 0.9981 (E)  | 1.0081                                    | 1.0293                                     |

| <b><u>Calculation of Average Price Levels and Changes in Price</u></b> |               |   |  |
|--|---------------|---|--|
| Time Period  | <u>Months</u> | <u>Average<br/>Price Level<br/>vs. 2009</u> |  |
| 5. January 1, 2009 - December 31, 2009                                 | 12            | 1.0000                                      |  |
| 6. January 1, 2010 - May 31, 2010                                      | 5             | 0.9990                                      |  |
| 7. <u>June 1, 2010 - December 31, 2010</u>                             | <u>7</u>      | <u>1.0210</u>                               |  |
| 8. January 1, 2010 - December 31, 2010 (H)                             | 12            | 1.0118                                      |  |
| 9. January 1, 2011 - December 31, 2011                                 | 12            | 1.0293                                      |  |
| 10. <b>CY 2010/CY 2009 (I)</b>   |               | <b>1.0118</b>                               |  |
| 11. <b>CY 2011/CY 2010 (J)</b>   |               | <b>1.0173</b>                               |  |

(A) Part B physician conversion factor change for calendar year 2010 over calendar year 2009 per H.R. 3962, the Preservation of Access to Care for Medicare Beneficiaries and Pension Relief Act of 2010. This bill was signed into law on June 24, 2010. It increased the physician fee conversion factor by 2.2% retroactive to June 1, 2010 and maintains the increase through November 30, 2010. We assume that the conversion factor will remain unchanged through the remainder of 2010.

(B) Part B conversion factor change for January 1, 2011 per the March 2010 MedPAC recommendation to Congress of 1.0%.

(C) Behavioral health services copayment change for calendar years 2010 and 2011 mandated by the Medicare Improvements for Patients and Providers Act. The coinsurance for behavioral health services will decrease from 50% to 20% according to the following schedule: 50% in CY 2009, 45% in CY 2010, 45% in CY 2011, 40% in CY 2012, 35% in CY 2013, and 20% in CY 2014. 1% of physician claims are related to behavioral health.

(D) Calculated change in GAF based on the 2009 GAF is shown on page 70153 of the Federal Register published November 19, 2008 and the 2010 GAF is shown on page 62147 of the Federal Register published November 25, 2009.

(E) Calculated change in the GAF for 2011 over calendar year 2010 based on factors on page 40643 of the Federal Register published July 13, 2010.

(F) Product of columns 2, 3 and 4.

(G) Change in price factor multiplied by cumulative price factor in line above. January 1, 2009 used as a base.

(H) The calendar year 2010 average price level is the weighted average of the price levels for the first 5 months and last 7 months of 2010.

(I) Line 8 divided by line 5.

(J) Line 9 divided by line 8.

## **Schedule 19**

**BLUE CROSS & BLUE SHIELD OF RHODE ISLAND**  
**CALCULATION OF INSTITUTIONAL SERVICES COMPONENT OF PART B COINSURANCE PROVIDER FEE CHANGES**  
**EFFECTIVE JANUARY 1, 2010 AND JANUARY 1, 2011**  
**PLAN 65 MEDIGAP AND SELECT**

### **Calculation of Increase Due to Conversion Factor**

|  | <u>1/1/2010 (C)</u> | <u>1/1/2011 (D)</u> |
|--|---------------------|---------------------|
| 1. Conversion Factor Update  | 1.0204              | 1.0240              |
| 2. <u>Percent of Outpatient Coinsurance Dollars at 20% of Medicare Allowed</u> | <u>36.1%</u>        | <u>38.0%</u>        |
| 3. Increase in Outpatient Coinsurance Dollars Due to Conversion Factor Updates | 1.0074              | 1.0091              |

### **Calculation of Wage Index**

|  | <u>Weights (A)</u> | <u>1/1/2009 (B)</u> | <u>1/1/2010 (C)</u> | <u>1/1/2011 (D)</u> |
|--|--------------------|---------------------|---------------------|---------------------|
| 4. RI Hospital Wage Index              | 0.60               | 1.0667              | 1.0783              | 1.0702              |
| 5. <u>National Hospital Wage Index</u> | <u>0.40</u>        | <u>1.0000</u>       | <u>1.0000</u>       | <u>1.0000</u>       |
| 6. Composite                           | 1.00               | 1.0400              | 1.0470              | 1.0421              |
| 7. Change in Wage Index                |                    | --                  | 1.0067              | 0.9953              |

### **Calculation of Part B Copayment Institutional Services Fee Change**

|   | <u>Weights (E)</u> | <u>1/1/2010</u> | <u>1/1/2011</u> |
|---|--------------------|-----------------|-----------------|
| 8. Prospective Payment System (PPS) (F) | 0.70               | 1.0141          | 1.0044          |
| 9. <u>Fee-Based Services (FFS) (G)</u>  | <u>0.30</u>        | <u>1.0120</u>   | <u>1.0140</u>   |
| 10. Composite                           | 1.00               | <b>1.0135</b>   | <b>1.0073</b>   |

(A) Per Federal Register published on November 13, 2000, CMS recognizes 60% of hospitals' costs as labor related costs that are adjusted for the geographic wage differences.

(B) The wage index for 2009 was published in table 4A of CMS regulation CMS-1404-FC.

(C) The final conversion factor update for 2010 resides on page 60419 of the Federal Register published on November 20, 2009, which was part of CMS regulation CMS-1414-FC. The wage index resides in table 4A of regulation CMS-1414-FC.

(D) The conversion factor update for 2011 is the expected hospital market basket increase, which is 2.4% for 2011 according the proposed inpatient prospective payment system rule CMS-1498-P2, which was published on page 30922 of the Federal Register on June 2, 2010. The wage index resides in table 4A of regulation CMS-1498-P2.

(E) Estimated relative weights between claims impacted by prospective payment system and fee-for-service claims.

(F) The increase in the outpatient coinsurance dollars due to updates to the IPPS wage index and conversion factor, which is line 3 times line 7.

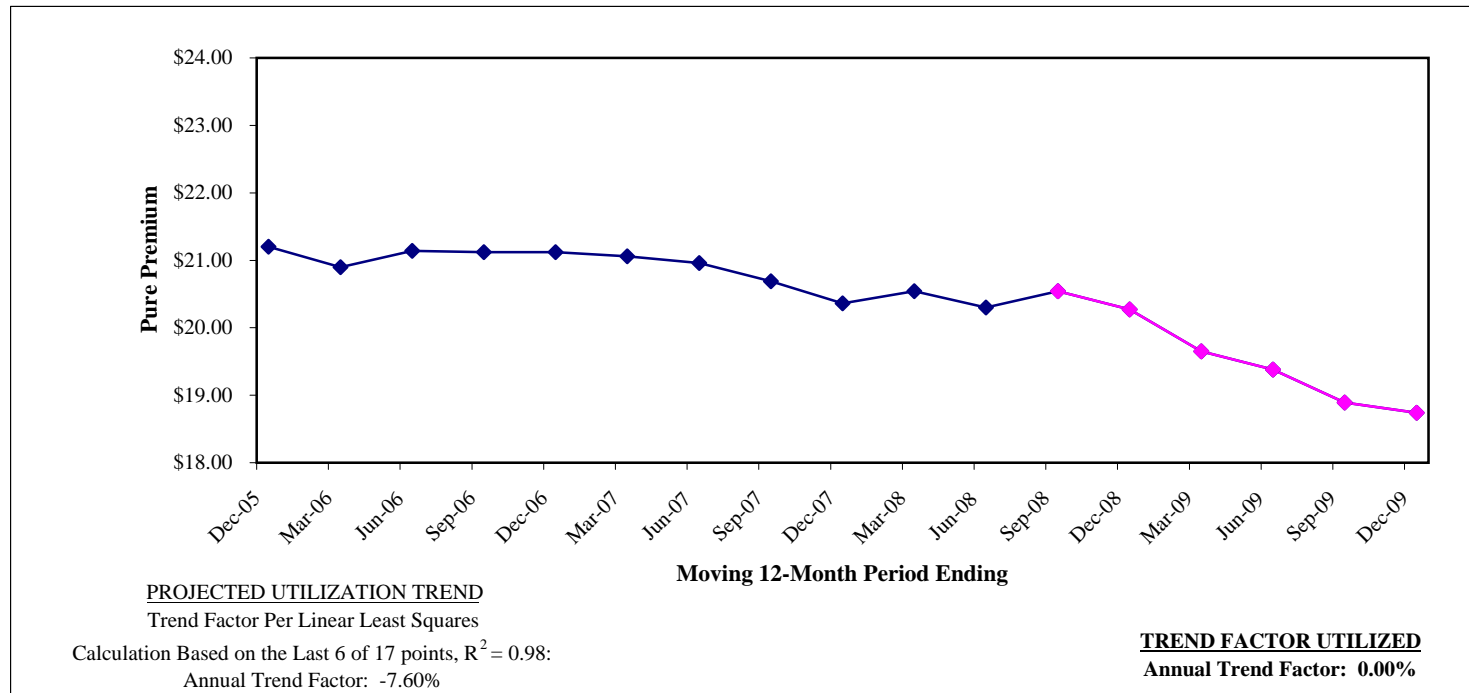
(G) Based on increases in the CPI-U of 1.2% and 1.4% for 2010 and 2011, respectively. These changes are estimates published in the March 2010 MedPAC report to Congress.

**Schedule 20**

**BLUE CROSS & BLUE SHIELD OF RHODE ISLAND**

**TOTAL PLAN 65**

**PART A DEDUCTIBLE: HISTORICAL PURE PREMIUM VALUES AND  
PROJECTED UTILIZATION TREND**

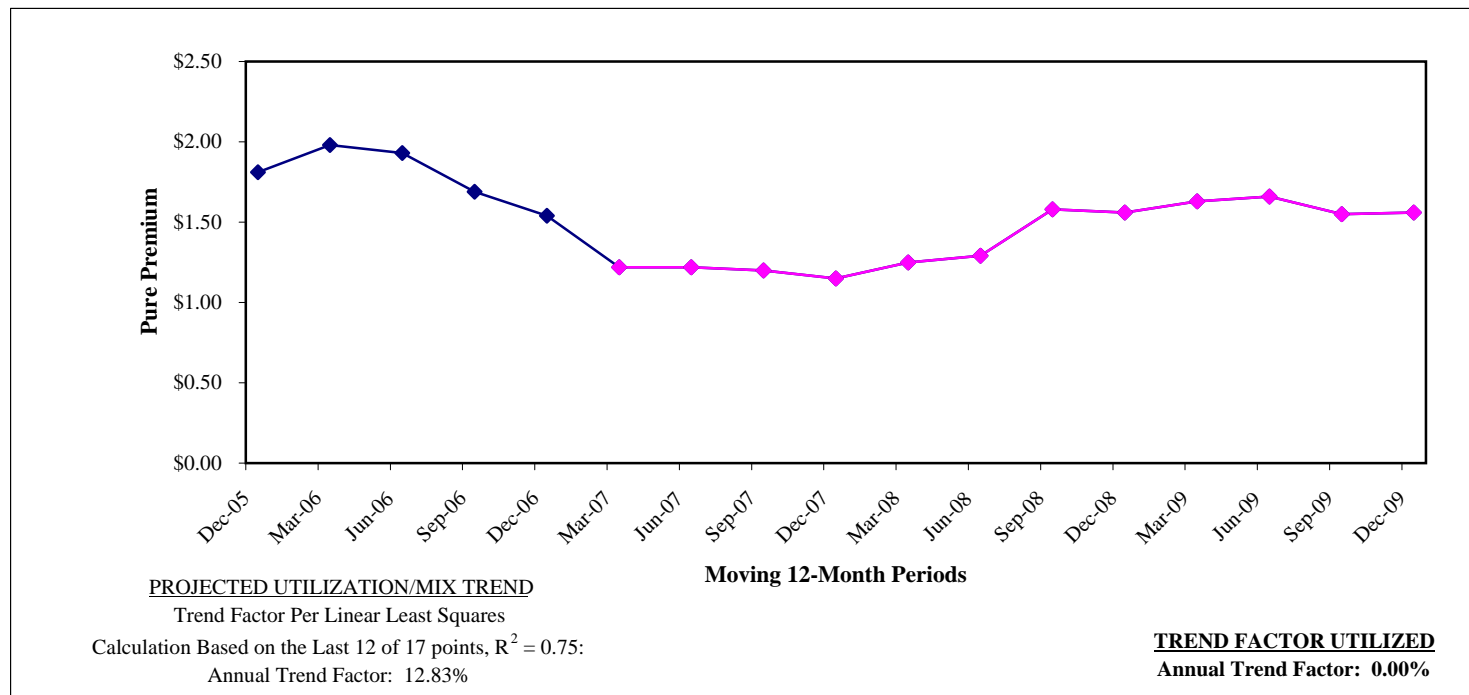


Note: Incurred claims expense per contract month is calculated with all periods adjusted to the CY 2004 deductible level.

**Schedule 21**

**BLUE CROSS & BLUE SHIELD OF RHODE ISLAND**  
**TOTAL PLAN 65**

**PART A 61ST - 90TH DAY AND LIFETIME RESERVE COPAYMENTS: HISTORICAL PURE PREMIUM VALUES AND**  
**PROJECTED UTILIZATION/MIX TREND**

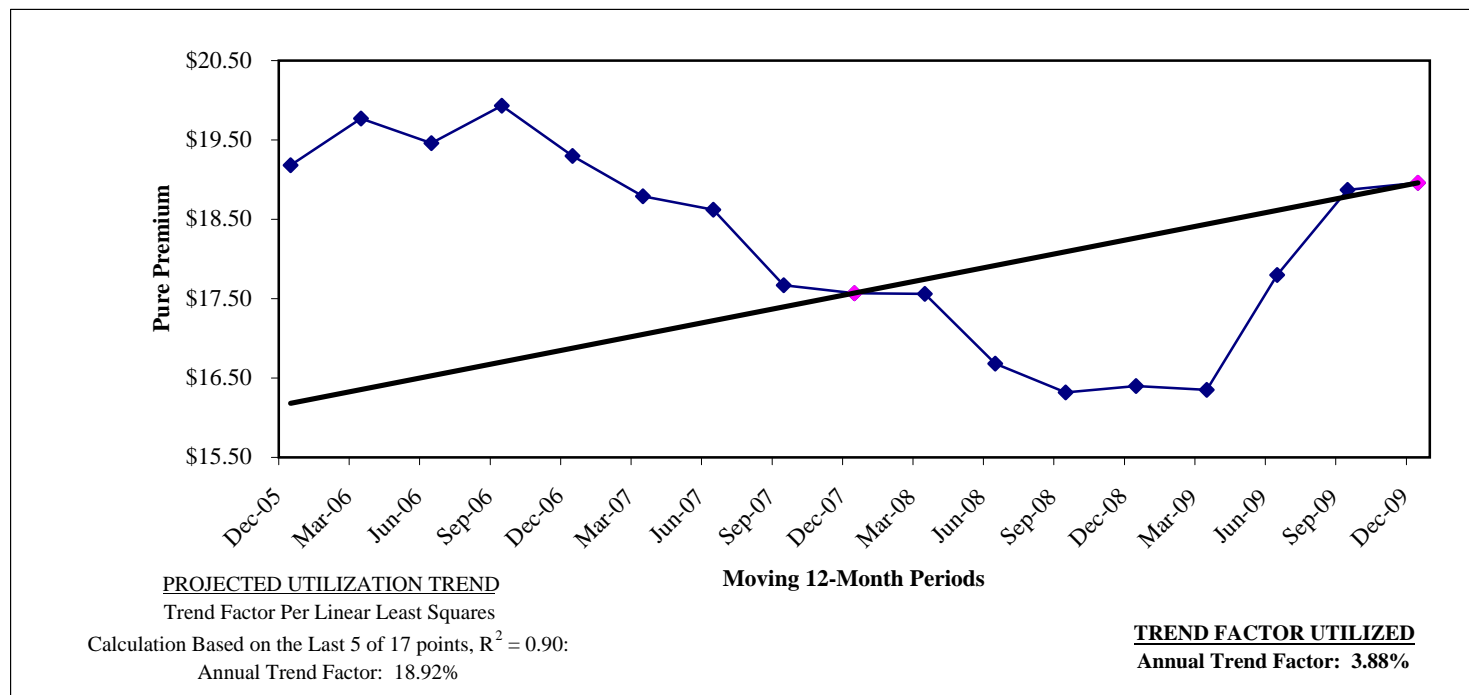


Note: Incurred claims expense per contract month is calculated with all periods adjusted to the 2004 copayment level.

**Schedule 22**

**BLUE CROSS & BLUE SHIELD OF RHODE ISLAND**  
**TOTAL PLAN 65**

**SKILLED NURSING FACILITY COPAYMENT: HISTORICAL PURE PREMIUM VALUES AND**  
**PROJECTED UTILIZATION TREND**



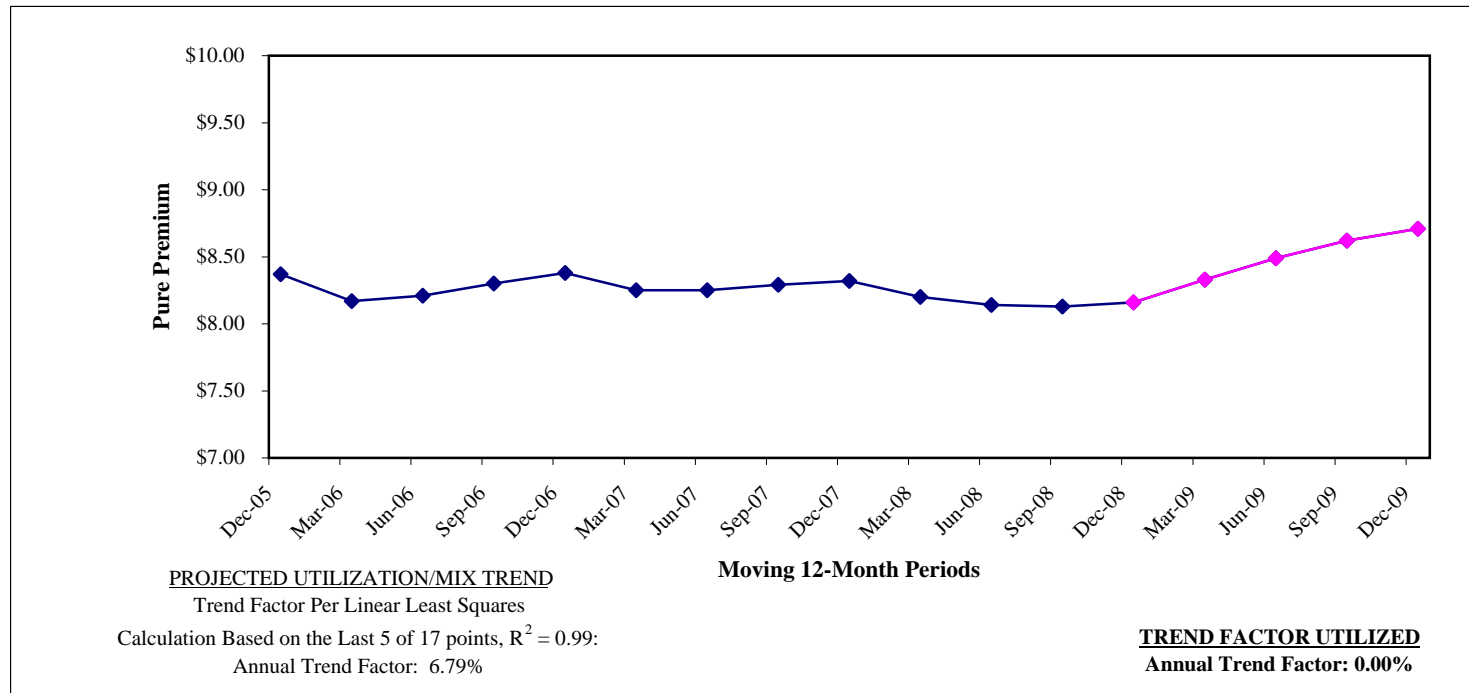
Note: Incurred claims expense per contract month is calculated with all periods adjusted to the 2004 copayment level.

**Schedule 23**

**BLUE CROSS & BLUE SHIELD OF RHODE ISLAND**

**TOTAL PLAN 65**

**PART B DEDUCTIBLE: HISTORICAL PURE PREMIUM VALUES AND  
PROJECTED UTILIZATION/MIX TREND**

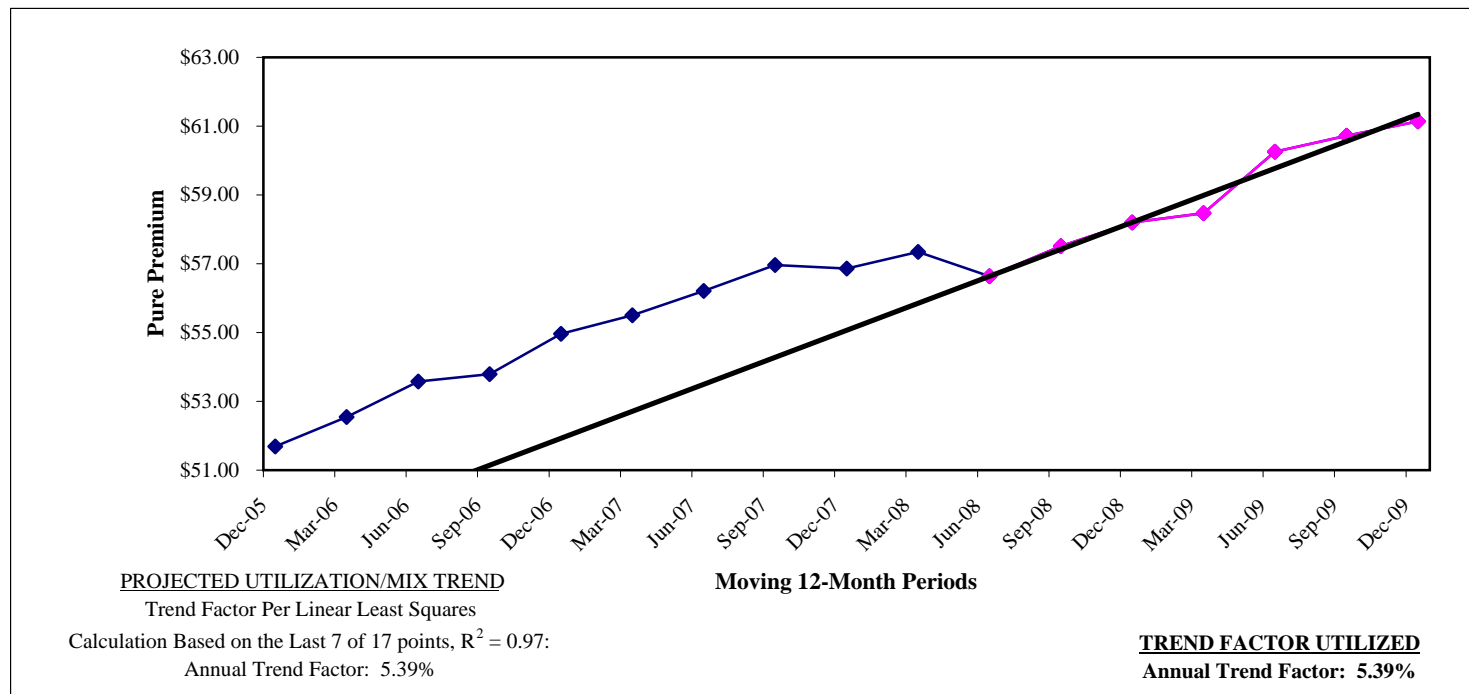


Note: Incurred claims expense per contract month is calculated with all periods adjusted to the 2004 deductible level.

**Schedule 24**

**BLUE CROSS & BLUE SHIELD OF RHODE ISLAND**  
**TOTAL PLAN 65**

**PART B COINSURANCE - PHYSICIAN: HISTORICAL PURE PREMIUM VALUES AND**  
**PROJECTED UTILIZATION/MIX TREND**



Note: Incurred claims expense per contract month is calculated with all periods adjusted to the 1/1/04 provider fee level.

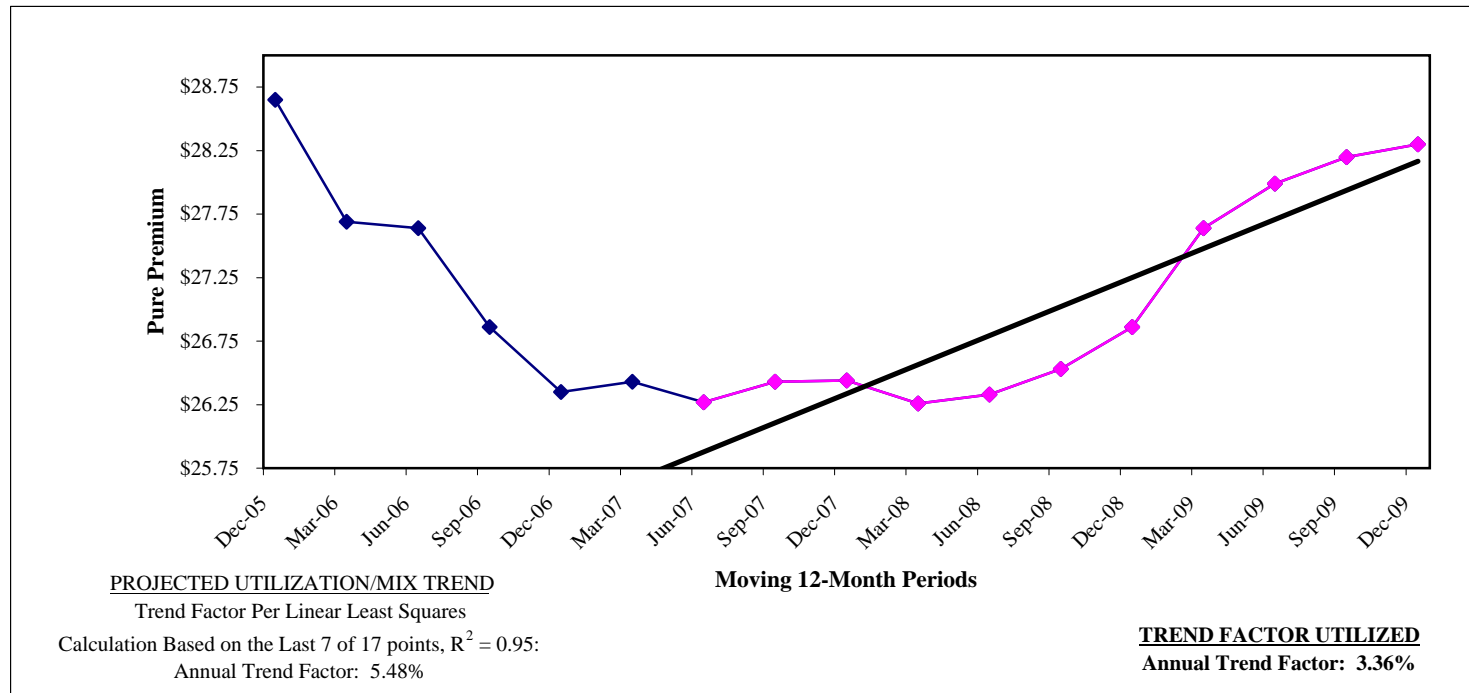


**Schedule 25**

**BLUE CROSS & BLUE SHIELD OF RHODE ISLAND**

**TOTAL PLAN 65**

**PART B COINSURANCE - OUTPATIENT: HISTORICAL PURE PREMIUM VALUES AND  
PROJECTED UTILIZATION/MIX TREND**



Note: Incurred claims expense per contract month is calculated with all periods adjusted to the 1/1/04 provider fee level.

**Schedule 26**

**BLUE CROSS & BLUE SHIELD OF RHODE ISLAND**  
**POINT VALUES UTILIZED IN DEVELOPMENT OF UTILIZATION/MIX TRENDS**  
**TOTAL PLAN 65**

| 12-Month<br>Moving<br>Incurred<br>Period<br>Ending | Part A<br>Deductible<br>(A) | Part A<br>Copayments<br>(A) | Skilled<br>Nursing<br>Facility<br>Copayment<br>(A) | Part B<br>Deductible<br>(A) | Part B<br>Copay - PH<br>(A) | Part B<br>Copay - OP<br>(A) |
|--|-----------------------------|-----------------------------|--|-----------------------------|-----------------------------|-----------------------------|
| Dec-05   | \$21.20                     | \$1.81                      | \$19.18  | \$8.37                      | \$51.69                     | \$28.65                     |
| Mar-06   | \$20.90                     | \$1.98                      | \$19.77  | \$8.17                      | \$52.54                     | \$27.69                     |
| Jun-06   | \$21.14                     | \$1.93                      | \$19.46  | \$8.21                      | \$53.58                     | \$27.64                     |
| Sep-06   | \$21.12                     | \$1.69                      | \$19.93  | \$8.30                      | \$53.79                     | \$26.86                     |
| Dec-06   | \$21.12                     | \$1.54                      | \$19.30  | \$8.38                      | \$54.96                     | \$26.35                     |
| Mar-07   | \$21.06                     | \$1.22                      | \$18.79  | \$8.25                      | \$55.50                     | \$26.43                     |
| Jun-07   | \$20.96                     | \$1.22                      | \$18.62  | \$8.25                      | \$56.21                     | \$26.27                     |
| Sep-07   | \$20.69                     | \$1.20                      | \$17.67  | \$8.29                      | \$56.96                     | \$26.43                     |
| Dec-07   | \$20.36                     | \$1.15                      | \$17.57  | \$8.32                      | \$56.86                     | \$26.44                     |
| Mar-08   | \$20.54                     | \$1.25                      | \$17.56  | \$8.20                      | \$57.34                     | \$26.26                     |
| Jun-08   | \$20.30                     | \$1.29                      | \$16.68  | \$8.14                      | \$56.64                     | \$26.33                     |
| Sep-08   | \$20.54                     | \$1.58                      | \$16.32  | \$8.13                      | \$57.51                     | \$26.53                     |
| Dec-08   | \$20.27                     | \$1.56                      | \$16.40  | \$8.16                      | \$58.20                     | \$26.86                     |
| Mar-09   | \$19.65                     | \$1.63                      | \$16.35  | \$8.33                      | \$58.47                     | \$27.64                     |
| Jun-09   | \$19.38                     | \$1.66                      | \$17.80  | \$8.49                      | \$60.26                     | \$27.99                     |
| Sep-09   | \$18.89                     | \$1.55                      | \$18.87  | \$8.62                      | \$60.72                     | \$28.20                     |
| Dec-09   | \$18.74                     | \$1.56                      | \$18.96  | \$8.71                      | \$61.14                     | \$28.30                     |

(A) All periods adjusted to the 2004 benefit or fee level.

**Schedule 27**

**BLUE CROSS & BLUE SHIELD OF RHODE ISLAND**  
**PROJECTION OF CALENDAR YEAR 2011**  
**ADMINISTRATIVE EXPENSE PER CONTRACT MONTH**  
**TOTAL PLAN 65**

|                                   | (1)                      | (2)                   |
|-----------------------------------|--------------------------|-----------------------|
|                                   | <u>1/1/11 - 12/31/11</u> |                       |
|                                   | <u>Dollars</u>           | Dollars per           |
|                                   | (A)                      | <u>Contract Month</u> |
|                                   |                          | (B)                   |
| Projected Administrative Expenses | \$6,050,056              | \$19.25               |

(A) Per the projected calendar year 2011 total Plan 65 budget.

(B) Derived from the projected calendar year 2011 total Plan 65 budget divided by the projected calendar year 2011 contract months of 314,250.

**Schedule 28**

**BLUE CROSS & BLUE SHIELD OF RHODE ISLAND**  
**RECONCILIATION OF CALENDAR YEAR 2009**  
**CLAIMS EXPENSE TO ANNUAL STATEMENT**  
**TOTAL PLAN 65**

INCURRED CALENDAR YEAR 2009 CLAIMS EXPENSE:

|    |   |                   |
|----|---|-------------------|
| 1. | Non-Group Claims Expense Included in the Rate Filing:   |                   |
|    | 1a. Plan 65 Medigap A, Medigap B, Medigap C, and Select L Claims Expense  | \$25,635,215      |
|    | 1b. Plan 65 Select B and Select C Claims Expense  | \$9,688,305       |
| 2. | Differences Between Actual 2009 Non-Group Claims Expenses and Multi-Year Average Used for Projection Purposes for the Following Benefits: |                   |
|    | 2a. 365 Additional Days Claims Expense Adjustment 2009 (A)  | (\$490,373)       |
|    | 2b. Part A Copay Claims Expense Adjustment 2009 (B)   | \$110,867         |
|    | 2c. FTE Claims Expense Adjustment 2009 (B)  | (\$11,053)        |
| 3. | Non-Group Claims Expense Excluded from the Rate Filing:   |                   |
|    | 3a. Plan 65 Select L Claims Expense Adjustment to reflect Medigap benefits (C)  | (\$294,048)       |
|    | 3b. Prompt Payer Interest   | \$120             |
| 4. | Prospective Group Claims Expense Excluded from the Rate Filing:   | \$8,425,248       |
| 5. | Difference Between Claim Reserve and IBNR Calculation Method Utilized in this Rate Filing For Incurred CY 2009 Claims Expense (D)         | <u>(\$34,281)</u> |
| 6. | Total   | \$43,030,000      |

ADJUSTMENTS IN 2009:

|     |  |            |
|-----|--|------------|
| 7.  | Claim Reserve Adjustment to Incurred Claims Expense for CY 2008 and Prior Made During 2009 | \$432,000  |
| 8.  | Change in Claim Reserve Margin from December 2008 to December 2009                         | (\$58,100) |
| 9.  | Financial Statement Accounting Adjustments   | \$38,495   |
| 10. | Other Adjustments  | (\$9,668)  |

ADJUSTMENTS IN 2010:

|     |   |                     |
|-----|---|---------------------|
| 11. | Claim Reserve Adjustment to Incurred Claims Expense for CY 2009 Made Through April 2010 | (\$94,000)          |
| 12. | Annual Statement (E)  | <u>\$43,338,727</u> |

(A) Actual expense for claims incurred during 2009 was replaced with the average of the 2005 through 2008 incurred claims expense per contract for that benefit projected to 2009 then multiplied by the 2009 contracts.

(B) Actual expense for claims incurred during 2009 was replaced with the average of the 2006 through 2009 incurred claims expense per contract for that benefit projected to 2009 then multiplied by the 2009 contracts.

(C) Select Plan L CY 2009 claims were adjusted to the Medigap C level for rate calculation in order to pool all Medigap and Select L claims on a comparable level.

(D) The claim reserve liability reflected in the Annual Statements is calculated for all benefits in aggregate. The incurred claims expense utilized in this rate filing is calculated separately for each benefit.

(E) Per Part 2 of the Underwriting and Investment Exhibit, Column 3, Line 12.4 on page 9 of the 2009 Annual Statement as filed with the Department of Business Regulation on March 9, 2010.