

Regence BlueShield of Idaho
Individual
Rates Effective January 1, 2016
Part II - Written Explanation of the Rate Increase

Regence BlueShield of Idaho (Regence) is filing a rate change request for its Individual metallic products. These plans comply with federal Affordable Care Act (ACA) plan design and benefit requirements, and Regence has approximately 900 members enrolled in this line of business as of February 2015. This filing is based on claims experience from January 2014 through December 2014, with claims paid through February 2015.

Rate Change

The projected average rate change for plans effective January 1, 2016 is 6.0%, which is an average rate change of about \$18 per member per month (pmpm). Because 6.0% (or about \$18) is an average, it is possible to have a different rate change. Factors affecting a member's premium are age, tobacco use, family composition, plan, and geographic area. Expected cost differences by product are updated every year to ensure premium differences are appropriate.

Contributing Factors - Claims

The main driver of the rate change is the increasing cost of medical care. This filing reflects projected claims expenses increasing approximately 6% annually.

Contributing Factors - Non-Claims

Regence is committed to using member premium dollars responsibly and consistently pays out a high percentage of premium dollars towards member claims. Regence expects this rate filing to exceed the ACA's minimum Medical Loss Ratio (MLR) requirement.

Administrative expenses are expected to be 13.2% of premium, compared to 13.6% in the 2015 rates. Regulatory payments including taxes and fees required by the ACA are expected to be 6.3%, compared to 7.1% in the 2015 rates. Risk and contingency estimates to account for inherent variability in predicting future claims and anticipated contribution to surplus are included as 3.0% of premium, compared to 2.0% in the 2015 rates.

Changes in Benefits

Regence's metallic products continue to meet the ACA's essential health benefit coverage standards. There are no significant changes to covered benefits for the 2016 products.

Financial Experience

Metallic products were introduced effective January 1, 2014, so only one year of financial experience is available. The 2014 average premium revenue was \$281 pmpm, compared to estimated paid claims of \$320 pmpm. Any payments to or receipts from the federal risk adjustment program will not be known until the summer of 2015 and could significantly impact financial results.