

Blue Cross of Idaho Health Service, Inc
Preliminary Rate Justification for 2017
Individual Health Benefit Plans

Rate Change

The average expected rate increase based on current enrollment is 29%. There are no significant differences by metal level. Some plan options required benefit changes to meet federal actuarial value requirements, which impacted the rate increases. Rate increase also varied by network due to provider contracting differences.

Most Significant Factors

The rate change described above is driven by the following factors:

Prescription Drug costs: 12% - Prescription drug costs have increased significantly in recent years.

Changes in the Federal Temporary Reinsurance Program: 6% - As the reinsurance program sunsets, additional revenue is required to cover costs.

Medical Claims costs and Population Morbidity: 11% - The anticipated cost for 2017 Medical claims and risk transfers is much higher than what was anticipated in the 2016 pricing.

Financial Experience

In 2015, Blue Cross of Idaho lost \$57M on their Individual QHP Health Benefit plans based on year-end financial statements. This does not include any transitional coverage, which is included in the experience period single risk pool. Below is a summary of the key financial metrics:

Revenue/Premium:	\$230M
Claims:	\$251M
Administrative Expenses:	\$19M
Taxes and Fees:	\$10M
Commissions:	\$7M
Underwriting Gain/(Loss):	(\$57M)

These numbers include adjustments for the final results of risk adjustment, reinsurance and risk corridor that were announced in 2015.

Key Assumptions

The Annual cost trends used in developing the 2017 rates:

Medical: 5%

Drug: 17%

Other: 8%

These trends include anticipated changes in the rates contracted with providers, increases in the number and mix of services provided.

The 2017 rates are made up of the following components:

Claims: 83.9%

Administrative costs: 5.6%

Federal Taxes and Fees: 5.9%

State Taxes and Fees: 1.5%

Commissions: 1.8%

Contribution to surplus, profit, and risk margin: 1.3%