

**Regence BlueShield of Idaho
Preliminary Rate Increase Justification for 2021
Individual Health Benefit Plans**

Rate Change

The projected average rate change for plans effective January 1, 2021 is -1.3% which is an average rate change of about -\$8 per member per month (pmpm). Because -1.3% (or about -\$8) 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. Regence has approximately 1,200 members enrolled in this line of business as of March 2020.

Percentage rate changes for major groupings that differ from the overall rate change:

Rating Area						
Area 1	Area 2	Area 3	Area 4	Area 5	Area 6	Overall
2.5%	-1.3%	-7.7%	0.2%	-6.8%	-5.8%	-1.3%

Metal		
Bronze	Silver	Overall
-4.6%	2.6%	-1.3%

Most Significant Factors

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

- Medical Trend : 9.4%
- Actual Results vs. Expected : -6.0%
- Rx Rebates : -1.6%
- Other : -2.5%

Other includes: changes to taxes and fees, morbidity projections, and benefit and network arrangements.

Financial Experience

The 2019 ACA unadjusted premium revenue was \$10,796,371 (\$581 pmpm), compared to total estimated incurred claims (net of Rx rebates and reinsurance) of \$9,546,374 (\$514 pmpm). This produced an unadjusted loss ratio of 88.4%. Premium revenue will be adjusted by the 2019 Risk Adjustment transfer, currently estimated as a receipt of \$118 pmpm. Any variations from the estimates for the federal risk adjustment will not be known until the summer of 2020 and could significantly impact financial results.

Key Assumptions

The annual cost trends used in developing the 2021 rates:

- Medical : 8.4%
- Rx : 12.3%
- Medical and Rx Blended: 9.4%

To determine projected trend for the rating period, Regence BlueShield of Idaho analyzed the individual components of trend - change in reimbursement, utilization, mix and intensity, and leverage. High Rx cost trends are driven by the increased prevalence of specialty drugs in the market, new specialty drugs expected to be introduced, the high cost per specialty prescription, and the lack of low cost substitutes for these drugs. Blended trend is calculated by weighting Medical and Rx trends based on their relative contribution to claims in the experience period.

The 2021 rates are made up of the following components:

- Claims: 85.4%
- Administrative Costs: 6.0%
- Federal taxes and fees: 0.4%
- State taxes and fees: 3.5%
- Commissions: 1.7%
- Contribution to surplus, profit, and risk margin: 3.0%

Claims costs represent estimated incurred claims. They are net of expected Rx rebates and risk adjustment transfer payments. State taxes and fees include state premium tax, the Idaho Immunization fee, and the exchange fee.