

Blue Cross of Idaho Health Service, Inc
Preliminary Rate Increase Justification for 2018
Individual Health Benefit Plans

Rate Change

The average expected rate increase is 28.3%. There is a significant difference between the Silver and Non-Silver metal levels based on guidance from the Idaho Department of Insurance on the treatment of CSR plans. Individual policyholders will also see differences in their rate increase due to the change in the federal age curve. Some plan options also had changes due to rating area changes, benefit changes and tailored network changes.

Most Significant Factors

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

- Claims Expense: 26.5% (Outpatient Hospital: 8.5%, Prescription Drug: 7.3%, Inpatient Hospital: 5.7%, Professional Services: 5%)
- Administrative Expense, Taxes and Fees: 1.8%

Financial Experience

In 2016, Blue Cross of Idaho lost \$28M 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:	\$242M
Claims:	\$234M
Administrative Expenses:	\$19M
Taxes and Fees:	\$12M
Commissions:	\$5M
Underwriting Gain/(Loss):	(\$28M)

These numbers include adjustments for the final results of risk adjustment, reinsurance and risk corridor that were announced in 2016.

Key Assumptions

The annual cost trends used in developing the 2018 rates:

- Medical: 4.9%
- Drug: 17.8%

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

The 2018 rates are made up of the following components:

- Claims: 83.4%
- Administrative costs: 6.2%
- Federal taxes and fees: 6.0%
- State taxes and fees: 1.5%
- Commissions: 1.6%
- Contribution to surplus, profit, and risk margin: 1.3%