

Blue Cross of Idaho Health Services, Inc.
Preliminary Rate Increase Justification for 2019
Individual Health Benefit Plans

Scope and Range of the Rate Increase

The filed overall average rate change for January 1, 2019, is 10.3%. This average rate change does not indicate that every individual's rate will change by this amount, as rates are affected by the ages of those covered, family coverage, the date of policy renewal and benefits chosen. We have estimated that rate changes by member, prior to the impact of aging, for those enrolled as of April 2018 will range between 4.7% and 22.8%, including the impact of benefit and cost sharing changes.

Rate changes will vary by metal level:

Metal Level	Average Rate Increase
Gold	12%
Silver	9%
Bronze	11%
Catastrophic	11%

Average increases also vary by rating area.

Rating Area	Average Rate Increase
1	8%
2	8%
3	8%
4	17%
5	9%
6	13%

Most Significant Factors

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

- Allowed Claims Expense: 8.3%
- Paid to Allowed Ratio: -3.0%
- Risk Adjustment: 3.7%
- Administrative Expenses: 1.1%
- Other: 0.2%

Summary of Historical Experience

Financial results for the base experience period of January 1, 2017 to December 31, 2017 are estimated to be as follows:

Item	Amount	% of Revenue
Total Premium (net of MLR rebate)	\$158,922,896	100.00%
Total Paid Claims	\$127,919,479	80.49%
Risk Adjustment Receipt	\$2,646,963	1.67%
Administrative Costs	\$16,484,886	10.37%
Taxes and Fees	\$5,192,268	3.27%
Profit	\$11,973,226	7.53%

The risk adjustment receipt is an estimated value. Outstanding uncertainty around parameters for this program will further impact the actual results. Revenue is net of APTC payments and total paid claims is net of CSR reimbursements. These items will not align with the URRT directly due to the inclusion of transitional plans in the single risk pool.

Key Assumptions

The annual cost trends used in developing the 2019 rates:

- Medical: 5.27%
- Drug: 8.5%

These trends are based on our analysis of historical cost trends and consideration of other factors likely to affect future trend including the rates contracted with providers, increases in the number and mix of services provided, and the SEP validation process.

The 2019 rates are made up of the following components:

- Medical claims: 83.9% of projected revenue
- Administrative costs: 8.2% of projected revenue
- Commissions: 1.3% of projected revenue
- Federal Taxes and Fees: 3.5% of projected revenue
- State Taxes and Fees: 1.5% of projected revenue
- Contribution to surplus, profit, and risk margin: 1.6% of projected revenue