

## **Regence BlueShield of Idaho Preliminary Rate Increase Justification for 2019 Individual Health Benefit Plans**

### **Rate Change**

The projected average rate change for plans effective January 1, 2019 is 3.9% which is an average rate change of about \$21 per member per month (pmpm). Because 3.9% (or about \$21) 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 2,700 members enrolled in this line of business as of March 2018.

### **Most Significant Factors**

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

- Medical Trend : 8.3%
- Change in Market Morbidity : 1.3%
- Insurer Fee : -3.3%
- Change in Benefits, Cost-Sharing and Network : -2.3%
- Other : 0.2%

The Change in Market Morbidity assumption represents the expectation that lower cost members are less likely to purchase coverage in 2019. Other includes: actual results vs. expected, changes to admin expenses, Rx rebates. Actual results vs. expected reflect differences between actual results and past assumptions, including a true-up of market morbidity estimates.

### **Financial Experience**

The 2017 ACA unadjusted premium revenue was \$30,310,575 (\$408 pmpm), compared to total estimated incurred claims of \$31,113,147 (\$419 pmpm). This produced an unadjusted loss ratio of 102.6%. Premium revenue will be adjusted by the 2017 Risk Adjustment transfer, currently estimated as a receipt of \$5 pmpm. Any variations from the estimates for the federal risk adjustment will not be known until the summer of 2018 and could significantly impact financial results.

### **Key Assumptions**

The annual cost trends used in developing the 2019 rates:

- Medical : 6.7%
- Rx : 18.0%
- Medical and Rx Blended: 8.3%

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 2019 rates are made up of the following components:

- Claims: 87.5%
- Administrative Costs: 5.9%
- Federal taxes and fees: 0.1%
- State taxes and fees: 1.7%
- Commissions: 1.8%
- Contribution to surplus, profit, and risk margin: 3.0%

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