

BLUE CROSS OF IDAHO HEALTH SERVICE, INC.

PRELIMINARY RATE INCREASE JUSTIFICATION FOR 2025

SMALL GROUP HEALTH BENEFIT PLANS

Rate Change

The average expected rate increase is 5.8%. The number of members to be impacted by this is 19,594. Some plan option rates changed due to benefit valuation changes and tailored network changes.

Most Significant Factors

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

- Claims Expense: 2.7%
 - Inpatient Hospital: 0.0%
 - Outpatient Hospital: -1.1%
 - Professional: 4.0%
 - Other Medical: -1.8%
 - Capitation: 0.1%
 - Prescription Drug: 1.9%
 - Risk Adjustment: -.4%
- Administrative Expense: 2.9%
- Profit & Risk load: 0.1%
- Taxes and Fees: 0.1%

Financial Experience

In 2023, Blue Cross of Idaho made \$4.8M on their Small Group 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: \$142 M
- Claims: \$116M
- Administrative Expenses: \$14.2M
- Taxes and Fees: \$2.3M
- Commissions: \$4.8M
- Underwriting Gain: \$4.8M

These numbers include adjustments for the final results of risk adjustment that was announced in 2023, as well as estimated risk adjustment amounts to be received/paid in 2024 for the 2023 calendar year.

Key Assumptions

The annual cost trends used in developing the 2025 rates:

- Medical: 7.3%
- Drug: 12.8%
- Other: 3.0%

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

The 2025 rates are made up of the following components:

- Claims: 82.3%
- Administrative costs: 10.8%
- Federal taxes and fees: 0.5%
- State taxes and fees: 1.6%
- Commissions: 3.2%
- Contribution to surplus, profit, and risk margin: 1.6%