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Department of Insurance
State of Idaho

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Attorneys for the Department of Insurance

BEFORE THE DIRECTOR OF THE DEPARTMENT OF INSURANCE

STATE OF IDAHO

<p>In the Matter of:</p> <p>BLUE CROSS OF IDAHO HEALTH SERVICE, INC., an Idaho nonprofit corporation and domestic insurer</p> <p>Certificate of Authority No. 1900 NAIC No. 60095</p>	<p>Docket No. 18-2678-11</p> <p>CONSENT ORDER</p>
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The Idaho Department of Insurance (the “**Department**”), by and through its attorney of record, Richard Burleigh, Deputy Attorney General with the Idaho Attorney General office, and Blue Cross of Idaho Health Services, Inc. (“**BCI**”), an Idaho nonprofit corporation and domestic insurer, by and through its attorney of record, Thomas Chandler, Esq., of Hawley Troxell Ennis & Hawley LLP, have come before the Director, pursuant to Idaho Code § 41-210, § 41-213 and § 67-5241, and requested informal disposition of this matter by entry of this Consent Order. This

matter arises out of a disagreement between the Department and BCI concerning small employer group renewal premium as more particularly set forth in Idaho Code § 41-4706(1)(c) (“**Statute**”) and Idaho Administrative Code Rule 18.01.69.036.16 (“**Rule**”). The parties have represented that they have met and conferred and agreed as follows:

1. In an order dated June 29, 2010, the Department adopted the Report of Examination of Blue Cross of Idaho Health Service, Inc. (a mutual insurance company) as of December 31, 2008 (“**Report**”). On page 23 of the Report, the Department’s examiners noted that 17% of the small employer group rates reviewed were found to be non-compliant with the Statute and the Rule. On page 34 of the Report, the Department’s examiners recommended that BCI come into compliance with the Statute and the Rule.

2. In BCI’s June 25, 2010, response to the Report, which is incorporated into the Report as Exhibit C, BCI stated that it had changed its formulas for small employer group renewals in accordance with the examiners’ recommendation. BCI represents that, in the ordinary course of renewing small employer group policies following receipt of the Report, it implemented this change in small employer group renewals beginning August 1, 2010.

3. For certain small employer groups (the “**Affected Groups**”), BCI’s calculation of renewal premium increases prior to August 1, 2010, produced small employer group rates that were greater than the maximum renewal premium increases permitted under the Department’s interpretation of the Statute and Rule.

4. BCI and the Department disagree over the proper calculation of small employer group renewal premium increases under the Statute and Rule.

5. BCI calculates that 15.11% of the 6,577 small employer group renewals with BCI during the period of January 1, 2008, to July 31, 2010, were charged a renewal premium in an

aggregate amount of approximately \$876,000 (“**Reimbursable Amounts**”) in excess of the small employer group premium that would have been charged based on the Department’s method of calculating the maximum permissible percentage increase in the renewal premium for the Affected Groups permitted by the Rule. BCI’s calculations of the Reimbursable Amounts have been reviewed and accepted by the Department.

6. BCI’s position is that the remaining small employer group renewals with BCI during the period of January 1, 2008 to December 31, 2010, were charged a renewal premium in an aggregate amount of approximately \$876,000 less than they would have been charged had BCI applied Department’s interpretation of the Rule to all of BCI’s small employer group customers during this period. The Department neither accepts nor rejects BCI’s position on this issue.

7. To resolve the disagreement, BCI is willing to conform its calculation of small employer group renewal premiums to the method prescribed by the Rule. BCI’s actions are not an admission, and are not deemed to be an admission, that it violated the Statute or Rule. Nor does the Department construe BCI’s willingness to conform to the Department’s application of the Statute and Rule as an admission that BCI violated the Statute or Rule. BCI agrees that, with regard to all future rate modifications for small employer groups, BCI shall apply the Statute and Rule as interpreted by the Department to confirm compliance of future premium rate modifications.

8. BCI also agrees to reimburse the Affected Groups the Reimbursable Amount according to the amount overpaid by each Affected Group under the Department’s interpretation of the Statute and Rule, plus interest at a rate agreed to between the Department and BCI.

9. BCI also agrees to pay to the Department the sum of fifteen thousand dollars (\$15,000.00) as a settlement payment, within ten (10) days of the entry of this Consent Order.


Based on the foregoing and in consideration of the premises,

IT IS HEREBY ORDERED that this Consent Order between the Department and BCI is approved and adopted as an Order of the Director.

IT IS FURTHER ORDERED that compliance with Idaho Administrative Code Rule 18.01.69.036.16 in applying the restriction on rate increases in Idaho Code § 41-4706(1)(c) concerning small employer group renewal premiums is required when increasing renewal premium rates charged to a small employer for a new rating period.

IT IS SO ORDERED.


DATED this 23rd day of November, 2011.



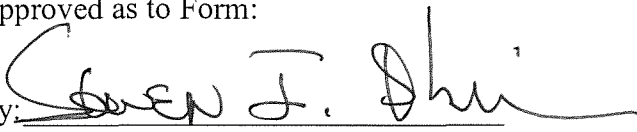
WILLIAM W. DEAL, Director
IDAHO DEPARTMENT OF INSURANCE

AGREED THIS 23rd day of November, 2011.

BLUE CROSS OF IDAHO HEALTH SERVICE,
INC., an Idaho nonprofit corporation and domestic
insurer

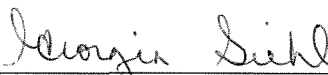
By: 
Name: Jack Myers
Its: Chief Financial Officer

Approved as to Form:

By: 
Steven J. Tobiason, General Counsel
Blue Cross of Idaho Health Service, Inc.

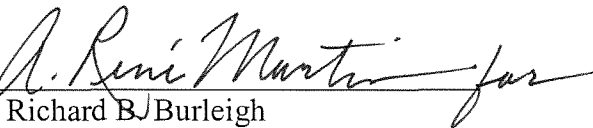
AGREED THIS 23rd day of November, 2011.

IDAHO DEPARTMENT OF INSURANCE

By: 
Georgia Siehl
Chief Examiner / Bureau Chief

Approved as to Form:

OFFICE OF THE ATTORNEY GENERAL

By: 
Richard B. Burleigh
Deputy Attorney General
Attorney for the Department of Insurance