

## **CAREFIRST BLUECROSS BLUESHIELD (CF)**

### **PART II – Written Description Justifying the Rate Increase**

BlueChoice, Inc. - MD is requesting an average increase of 11.9% to our BlueChoice single risk pool. BlueChoice offers 2 types of products – HMO and Point of Service (POS). The BlueChoice HMO product is subject to review with some plans above the 10% renewal threshold driven by changes to our factors related to induced utilization for plans with Health Savings Accounts as well as a change to our metal level induced demand factors to align with the factors used in the HHS risk adjustment model. There are approximately 112,000 members currently enrolled in the HMO product, all plans.

Primary drivers impacting all rates are an annual medical/drug claims trend of 8.2%, the end of the temporary federal reinsurance program and slightly worse than anticipated experience for 2015. Offsetting these is a reduction in administrative costs due to the moratorium on the Health Insurer Fee.

These products were first launched on 1-1-14. For the 2015 calendar year, BlueChoice collected \$534.7 million in premium and paid out \$547.3 million in claims for a loss ratio of 102%. BlueChoice will receive an estimated \$84.0 million in federal reinsurance receipts and will need to pay \$4.3 million in risk adjustment payments, for a post-3Rs loss ratio of 87.5%. The proposed rate increases have been set to bring the post-risk adjustment loss ratio to 78.7%.

BlueChoice has assumed a trend of 8.2%, an increase of 1.2% from last year's 7.0%. This is consistent with observed trend regressions in high single digits, combined with an anticipated reduction in utilization from platinum members being uniformly modified into gold plans on 1/1/16.

The benefits for this product have remained the same, except for changes necessary to maintain actuarial value. The number of plans offered on both bronze and gold has been reduced from 2 plans per metal level to 1, with all members being uniformly modified into the remaining plan.

As a percent of premium, administrative expenses have increased by 0.6% compared to last year, and pre-tax contribution to reserve has remained at 2.0%. The IRS has issued a one year moratorium on the Health Insurer Fee, which reduces the premiums by 3.2%.