

## Consumer Justification Narrative

### BlueChoice HealthPlan, Inc. Rate Change (effective 1/1/2018) for Blue Option Individual Health Plans

#### **Scope and range of rate increase:**

Depending on the plan selected, approximately 9,100 members currently enrolled in a Blue Option Individual health plan will see an increase in premiums effective January 1<sup>st</sup>, 2018.

#### **Financial experience of the product:**

During 2016, premiums received have not been sufficient to cover claims paid, administrative costs, commissions, taxes, and fees. The rate increase effective January 1, 2018 is intended to cover future increases in medical costs. If, in 2018, paid claims are significantly less than anticipated, rebates will be paid to Blue Option members.

#### **Changes in medical service costs:**

BlueChoice HealthPlan, Inc. will likely pay more claims in 2018 for the following reasons:

- The assumption that the individual mandate is not enforced accounts for a significant portion of the increase. A 6% increase was applied to address this relaxed requirement.
- Hospitals and doctors charging more for services.
- More individuals seeking treatment, especially those not previously covered by insurance.
- Higher drug costs.
- Loss of Federal funds to help pay for large claims and riskier individuals.

#### **Changes in benefits:**

Changes to deductibles, copayments, and out-of-pocket maximums to some Blue Option products were implemented to limit the amount of the necessary rate increase without sacrificing coverage.

**Administrative costs and anticipated profits:**

Administrative costs were set based on internal corporate estimates of normal operating costs. Federally required fees also apply. Federal fees are increasing with the addition of the Federal Health Insurer Fee in 2018.

BlueChoice HealthPlan, Inc. is working hard to find ways to lower these costs through intense review of current practices.