

Scope and Range of the Rate Increase:

Blue Cross and Blue Shield of Montana (BCBSMT) is filing new rates to be effective January 1, 2016, for its Individual ACA metallic coverage. As measured in the Unified Rate Review Template (URRT), the range of rate increases by product is 17.0% to 22.2%. The average rate increase for all products is 21.8%.

Changes in allowable rating factors, such as age, geographical area, or tobacco use, may also impact the premium amount for the coverage.

As of June 30, 2015, there were 47,715 members on Individual Affordable Care Act (ACA) plans that may be affected by these proposed rates.

Financial Experience of the Product:

From the filed URRT, earned premiums for all Individual plans during calendar year 2014 were \$143,460,354, and total claims incurred were \$170,381,530.

The proposed rates effective January 1, 2016, are expected to achieve the loss ratio assumed in the rate development.

Changes in Medical Service Costs:

The main driver of the increase in the proposed rates is that the actual claims experience of the members in these Individual ACA metallic policies is significantly higher than expected.

Changes in Benefits:

There are no legally required changes to covered benefits, and therefore no significant changes to the benefit structure. Proposed changes to plans in 2016 include moving all plans onto our Generics Plus formulary. Additionally, the out-of-network benefits for the Blue Preferred Bronze PPO 006 plan changed.

Administrative Costs and Anticipated Profits:

The requested rate increases are not driven by administrative expenses. Administrative costs and anticipated margin as assumed in the proposed 2016 rates do not have a material impact on the rate increases. Administrative costs as a percentage of premium have decreased from 9.7% in our 2015 rates to 9.3% in the proposed 2016 rates. Commissions and exchange user fees are expected to change from 6.1% of premium in the 2015 rates to 4.8% in the proposed 2016 rates. There is no change in the expected margin as a percentage of premium in the proposed 2016 rates as compared with the 2015 rates.