

## **Part II: Justification for Proposed Rate Increase**

### **BlueCross BlueShield of Montana Individual Rate Filing Effective January 1, 2020**

#### **Scope and Range of the Rate Increase:**

Blue Cross and Blue Shield of Montana (BCBSMT) is filing new rates to be effective January 1, 2020, for its Individual ACA metallic coverage. As measured in the Unified Rate Review Template (URRT), the range of rate increases for these plans is -22.2% to -7.2%.

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

There are currently 19,481 members on Individual Affordable Care Act (ACA) plans that may be affected by these proposed rates.

#### **Financial Experience of the Product:**

Consistent with the filed URRT, earned premiums for all non-grandfathered Individual plans during calendar year 2018 were \$156,032,486, and total claims incurred were \$121,885,251.

The proposed rates effective January 1, 2020, are expected to achieve the loss ratio assumed in the rate development.

#### **Changes in Medical Service Costs:**

The proposed rates reflect expected changes due to increasing medical service and prescription drug costs, which includes changes in reimbursement rates to providers, expected utilization, the mix and intensity of services, and new technologies.

#### **Changes in Benefits:**

There are no legally required changes to covered benefits and no significant changes to the benefit structure. Cost-sharing changes were made within these products allowing plans to maintain their metal status, which can contribute to the change in rates.

#### **State Reinsurance:**

The proposed rates reflect impact of the state reinsurance program under SB 125.

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### **Administrative Costs and Anticipated Profits:**

Changes to non-benefit expenses are not a main driver of the rate increases. Key changes include a reduction in commissions and administrative costs as a percentage of premium. In addition, the 2020 rates reflect the termination of the moratorium on the health insurer fee.

The Affordable Care Act expects health plans in the individual market to spend at least 80% of each premium dollar they collect to pay for medical care and activities that improve health care quality for members. If health plans fail to spend at least 80% on medical claims and health care quality initiatives, they are required to give back money to consumers through a premium rebate. While we have adjusted our rates for 2020, our pricing assumes we will once again exceed the 80% threshold.