

Part II: Justification for Proposed Rate Increase

BlueCross BlueShield of Montana

Small Group Rate Filing

Effective January 1, 2019

Scope, Range and Best Estimate of the Rate Increase

Blue Cross and Blue Shield of Montana (BCBSMT) is filing new rates to be effective January 1, 2019, for its Small Group ACA metallic coverage. As measured in the Unified Rate Review Template (URRT), the range of rate changes for these plans is a decrease of 7.6% to an increase of 1.4%. The average rate change of the Blue Preferred product is a decrease of 4.2%.

Changes in allowable rating factors, such as age, plan selection, geographical area, and renewal quarter may also impact the premium amount for the coverage.

There are currently 24,991 members on Small Group Affordable Care Act (ACA) plans that may be affected by these proposed rates.

The URRT approach provides consumers a limited view of the actual rate actions consumers might experience. This is because the URRT approach reflects an overall, quarterly-weighted average change that is not directly indicative of BCBSMT's quarterly filed rates. BCBSMT's best estimates reflect assumed migration from our 2018 to 2019 plan offerings and the consequent change in our quarterly filed rates. These best estimates are provided below.

<u>For Contracts Renewing....</u>	<u>Covered Lives</u>	<u>Average</u>	<u>Minimum</u>	<u>Maximum</u>
January 1 – March 31	8,472	-5.6%	-9.6%	0.0%
April 1 – June 30	3,928	-5.8%	-9.8%	-0.1%
July 1 – September 30	3,072	-6.3%	-10.3%	-0.7%
October 1 – December 31	9,519	-1.6%	-5.8%	4.3%
	24,991	-4.2%	-10.3%	4.3%

Financial Experience of the Product

Consistent with the filed URRT, earned premiums for Small Group plans during calendar year 2017 were \$168,628,819 and total claims incurred were \$146,579,912.

The proposed rates effective January 1, 2019, are expected to achieve the loss ratio assumed in the rate development.

Changes in Medical Service Costs

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

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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.

Administrative Costs and Anticipated Margins

The proposed rates reflect administrative cost and anticipated margins of 16.0%, a decrease of 2.1% from our original 2018 BCBSMT small group rate filing.

The Affordable Care Act expects health plans in the small group 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. These rates assume BCBSMT will once again exceed the 80% threshold.