

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

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

BlueChoice, Inc. - VA is requesting an average base rate increase of 26.6% to our BlueChoice single risk pool. As of 2-28-18, there are approximately 8,400 members currently enrolled in a BlueChoice product, across all plans, who will be impacted by the rate change.

The main drivers supporting the rate increase are the deterioration of experience period allowed experience, the demographic changes of the population (population is getting older on average), and the deteriorating morbidity of the pool.

These products were first launched on 1-1-14. For the 2017 calendar year, BlueChoice collected \$48.5 million in premium and paid out \$52.0 million in claims for a loss ratio of 107.3%. BlueChoice will receive an estimated \$9.8 million in risk adjustment payments, for a post-RA loss ratio of 89.3%. The proposed rate increases have been set to bring the post-RA loss ratio to 85.9%.

BlueChoice has assumed a trend of 6.5%, the same as last year.

Overall, we reduced benefit richness for each plan resulting in a decrease from the rate increase that would have otherwise been needed. These benefit reductions were largely driven by changes to deductible and out of pocket max benefits. Also, the silver plan has become HSA-compatible.

As a percent of premium, administrative expenses have decreased by 0.3%, and pre-tax contribution to reserve has remained at 2.0%.