

## Consumer Justification Narrative

### BlueCross BlueShield of South Carolina Rate Change (effective 1/1/2018) for BlueEssentials Individual Health Plans

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

Depending on the plan selected, approximately 202,000 members currently enrolled in a BlueEssentials Individual health plan will see an adjustment to 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 BlueEssentials members.

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

BlueCross BlueShield of South Carolina will likely pay more claims in 2018 for the following reasons:

- CSR funding is not available, and the majority of the premium increase is required to cover this additional cost. Existing Silver FFM plans have an estimated average additional increase of 24% as a result of the CSR funding shortfall. This constitutes roughly 72% of the total increase. This increase only applies to Silver plans sold through the federal exchange.

Alternative Off-exchange Silver plans are offered without the rate increase associated with CSR funding. Also, other metal level plans are offered without the CSR portion of the increase.

- The assumption that the individual mandate is not enforced accounts for another 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 BlueEssentials 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.

BlueCross BlueShield of South Carolina is working hard to find ways to lower these costs through intense review of current practices.