

## Consumer Justification Narrative

### BlueCross BlueShield of South Carolina Rate Change (effective 1/1/2019) for BlueEssentials Individual Health Plans

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

Depending on the plan selected, approximately 203,000 members currently enrolled in a BlueEssentials Individual health plan will see an adjustment to premiums effective January 1<sup>st</sup>, 2019.

#### **Financial experience of the product:**

During 2017, premiums received have been sufficient to cover claims paid, administrative costs, commissions, taxes, and fees. The rate increase effective January 1, 2019 is intended to cover future increases in medical costs. If, in 2019, 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 2019 for the following reasons:

- The availability of short-term and association health plans will likely siphon better risks from the ACA market.
- The individual mandate is not enforced.
- Hospitals and doctors charging more for services.
- More individuals seeking treatment, especially those not previously covered by insurance.
- Higher drug costs.

#### **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.

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