

Written Description Justifying the Rate Change  
Part II

BlueChoice HealthPlan, Inc.  
Rate Revision (effective 1/1/2015) for Business Advantage  
ACA Qualifying Health Plans issued in 2014

**Scope and range of rate increase:**

Depending on the plan selected, about 600 subscribers to one of eight Business Advantage ACA-compliant Small Group health plans issued in 2014 will see an increase in premiums ranging from -4.0% to 2.6% effective January 1<sup>st</sup>, 2015.

**Reasons for rate increase:**

Significant factors driving the proposed increase include, but are not limited to, the following:

- Increased cost of medical services
- Increased utilization of medical services
- Changes in deductibles, copays, and out-of-pocket maximums
- New taxes and fees imposed on the issuer
- New network arrangements
- Anticipated changes in payments from and contributions to the Federal Transitional Reinsurance Program

**Financial experience:**

As these are relatively new products, historical financial experience is limited and would not be considered credible.

**Changes in Medical Service Costs:**

Recent historical trends are down from prior levels, perhaps due to the economic downturn and other external forces. However, there are concerns that trends - utilization, in particular - will pick up as unemployment remains lower, as average morbidity levels increase after a period of sacrificed care, and as the recently insured market expands.

Further, anticipated pressure on hospital and physician cost trends will come from (1) continuing hospital

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acquisition of physician practices in SC; and (2) shifting of provider based billing to the more expensive facilities.

**Changes in benefits:**

Changes to deductibles, copayments, and out-of-pocket maximums to some Business Advantage products were implemented such that the metallic levels of those products were not affected.

Adult dental and vision are included as nonessential health benefits. Pediatric dental has been removed from all plans.

More significantly, family deductibles and out-of-pocket limits were introduced to all Business Advantage products. Family premiums are the sum of the individual member rates. However, Federal regulations state that no more than three children under the age of 21 may be rated on a family contract.

**Administrative costs and anticipated profits:**

While administrative costs were set at a flat dollar amount based on internal cost and budget estimates, some Federally mandated fees have increased as a percentage of premium due to indexing for inflation and/or BlueChoice HealthPlan's increased presence in Federally Facilitated marketplace.

Our profit load includes a margin for contingencies. In the new regulatory environment, the uncertainty related to future mandated benefits, pricing regulations, and market changes require a consistent contingency margin. The corporate goal is to maintain an appropriate level of administrative costs and contingency margin as a percentage of premium.