

BlueCross BlueShield of Tennessee, INC

Part II: Written Justification of the Rate Increase for Rates Effective 1/1/2017

BCBST is requesting a rate increase of 62.0%. The majority of the rate increase being requested is due to higher than expected morbidity in 2016 for the BCBST Marketplace and Non-Marketplace plans, increases in underlying medical cost (due to inflation in the cost of medical services, as well as increased utilization of medical services), and the elimination of the Federal Transitional Reinsurance Program. Increases above are being offset by reductions in Administrative cost, taxes, and fees. Benefits for this product are changing to incorporate newly mandated benefits to the State EHB Benchmark plan.

As of April 2016 the Marketplace and Non-Marketplace plans have 222,829 members who will be impacted by the rate increase if they elect to renew in 2017. Before the impact of advance premium tax credits, member increases will vary according to their specific plan, region, and network. This variation is due to implementation of requirements of the Affordable Care Act. Individuals will also see an additional increase due to aging. For example, a 49 year-old who will turn 50 prior to January 1, 2017 may see an additional 4.7% increase due to changing from the age 49 rates to the age 50 rates.

The historical paid claims significantly exceed the premium collected for Marketplace and Non-Marketplace. The requested rate increase is necessary to cover paid claims and expenses in 2017 for Marketplace and Non-Marketplace.