

## Consumer Justification Narrative

### BlueCross BlueShield of South Carolina Rate Change (effective 1/1/2017) for BlueEssentials Individual Health Plans

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

Depending on the plan selected, approximately 116,000 members currently enrolled in a BlueEssentials Individual health plan will see an increase in premiums effective January 1<sup>st</sup>, 2017.

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

During 2015, premiums received have not been sufficient to cover claims paid, administrative costs, commissions, taxes, and fees. The rate increase effective January 1, 2017 is intended to lessen the effect of future losses. If, in 2017, 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 2017 for the following reasons:

- 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
- Future uncertainty in the insurance industry

#### **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.