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OFFICE OF THE ATTORNEY GENERAL

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Peter F. Neronha
Attorney General

August 11, 2021

Via Electronic Mail Only

Mr. Patrick Tigue
Health Insurance Commissioner
Office of the Health Insurance Commissioner
1511 Pontiac Avenue
Building 69, First Floor
Cranston, Rhode Island 02920
Patrick.Tigue@ohic.ri.gov

In re: Blue Cross Blue Shield of Rhode Island
Rates Filed for 2022 Individual Market Plans
SERFF ID: BCBS-132812175

Dear Commissioner Tigue:

Pursuant to Rhode Island General Laws §§ 27-19-6(j)(2), 27-20-6(j)(2), and 27-36-1, the Rhode Island Attorney General submits the following objection to the 3.1% rate increase in the individual market sought by Blue Cross Blue Shield of Rhode Island ("BCBSRI"). The Attorney General addresses OHIC in his distinct role in this rate review: to represent, protect and advocate for Rhode Islanders who are and will be consumers of these insurance products. *See R.I. Gen. Laws § 27-36-1*. In addition, as the State's Health Care Advocate, the Attorney General is obligated to carry out the mandate of the Health Care Advocate statute and advocate for quality and affordable health care for the people of this State. *See R.I. Gen. Laws § 42-9.1-1*.

In accordance with Rhode Island General Laws §§ 27-19-6(f) and 27-20-6(f), because both insurers in the individual market, BCBSRI and Neighborhood Health Plan of Rhode Island, requested rates below 10%, no public hearing was held. OHIC held a public comment meeting via Zoom on the rate review process on Monday, August 2, 2021 at 4:30pm. Representatives from our Office were in attendance.

The Attorney General's objections are based both on the attached actuarial report of Lewis & Ellis, Inc. ("L&E") submitted on behalf of the Office of the Attorney General and the unaffordability of the proposed increase. Our Office asks that you exercise your authority to account for affordability and deny a rate increase altogether.

Preliminary Statement

This is your first rate review as Health Insurance Commissioner. In OHIC's press release in June 2020 announcing the rate review process, you stated that you were "concerned by many of the requested premium increases" across all markets and acknowledged that "health insurers have generated substantial profits as a result of the reduction in medical services experienced during the coronavirus disease 2019 public health emergency."[1] You pledged that OHIC "will scrutinize the requested increases and critically evaluate the necessity of significant increases, given the overall financial health of the insurers." You have an extraordinary opportunity to begin anew, put words into action, and show the citizens of Rhode Island that OHIC hears them and acts in their best interest to take one step closer toward affordable health insurance by lifting the burden of too-high premiums which create a barrier to healthcare.

BCBSRI's request for a substantial rate increase comes over a year into the COVID-19 ("COVID") pandemic and after receiving a 3.3% increase from OHIC last year during the height of the pandemic. Many Rhode Islanders remain unemployed, are facing tax penalties for failing to carry health insurance and reeling from an unprecedented pandemic and the resulting economic consequences.[2] These are the Rhode Islanders who must turn to the individual market for health insurance, where this rate increase is sought. Notwithstanding this context, as discussed below, both in this rate increase request and historically, BCBSRI overstates its case to the point where no increase in rates is needed or justified. Given the historic health disparities and obstacles to health care for many Rhode Islanders who will be affected by your decision, the enormous economic and health risks *all* individuals who must turn to the individual market currently face, and the clear solvency of BCBSRI, the Attorney General recommends BCBSRI's rate increase be denied and no increase imposed.[3]

Reliability of BCBSRI 2022 Rate Increase Request

The Office of Attorney General urges you to bring exacting scrutiny to BCBSRI's request for a rate increase because the applicant has demonstrated overreach to the detriment of its insureds and Rhode Island consumers. One area of blatant overreach by BCBSRI is its' overstatement of inpatient data, assuming an upward trend based on no pertinent factual data or sound actuarial analysis.[4] Such an assumption not only defies actuarial sense, but common sense. Rhode Islanders should not shoulder the consequences of BCBSRI's inaccurate assumptions.

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[1] 2022 Rate Review Process Press Release - Requested Rates.pdf (ri.gov), June 28, 2021.
[2] Rhode Island Department of Labor and Training News Release at Microsoft Word - News Release 0621 (ri.gov)
[3] BCBSRI's request comes at a time when it has financial reserves close to four times the mandatory minimum of 200% that triggers regulatory action, and almost twice what the Blue Cross Association requires. Over the last twelve (12) out of fourteen (14) years, BCBSRI has requested increases above what OHIC has found necessary and appropriate for consumers. A thorough analysis of BCBSRI'S current rate increase request by L&E, a nationally recognized actuarial firm, demonstrates that this year's request is inflated and unnecessary. *See* L&E Actuarial Report for BCBSRI (concluding Blue Cross' requested increase should be reduced to 2.3%).
[4] L&E Actuarial Report, p. 5-6.

Further, BCBSRI includes, as a basis for its rate increase request, the assumption that its enrollees will require COVID booster shots and that the cost of those shots should be borne by its insureds in the requested rate increase. These are faulty assumptions for three reasons. First, to the extent booster shots are recommended by the informed medical community, they are being recommended for people over 65 and the immunocompromised and for those who received their vaccines in December 2020 or January 2021.[5] Second, it is becoming increasingly clear that there is a worldwide push against boosters for the time being to allow lesser developed countries to gain access to available COVID vaccines. Also, to assume there will be no federal subsidies to help offset COVID booster costs (once there are boosters to be given) is unrealistic given the federal government's consistent and frequent aid to businesses and insurers during the pandemic. Finally, the Coronavirus Aid, Relief, and Economic Securities Act ("CARES Act"), P.L.116-136, states that the federal government "shall require group health plans and health insurance issuers offering…individual health insurance to cover (without cost-sharing) any qualifying coronavirus preventive service***."[6] The CARES Act language is clear that the insurance company bears the burden of COVID-related costs. Notwithstanding this unambiguous language, in its request for a rate increase, BCBSRI has included an assumption that the cost of COVID boosters is appropriately included in its rates.[7] Therefore, BCBSRI's assumption that 80% of the population will receive a booster that will or should impact 2022 rates, as assumed by BCBSRI, is not only unreasonable but factually inaccurate based on public information to date.[8] While the language of the CARES Act may not prevent insurers from recouping certain COVID costs through means other than cost-sharing, we ask you, as Commissioner, to not allow BCBSRI to put the cost of the COVID boosters, or any COVID costs, back on the consumer through increased rates.

These current and errant assumptions, along with BCBSRI's historic efforts to obtain rate increases that prior Health Insurance Commissioners have found to be more than Rhode Islanders should shoulder, must compel a high degree of skepticism with respect to BCBSRI's current rate request.

Unaffordability of a Rate Increase

Federal Response – Risk and Opportunity

At least 17,159 will be affected by these final rates and that number will likely rise for 2022 enrollment.[9] In recognition of the increased need for coverage and the decreased financial ability to afford it, Congress enacted the American Rescue Plan Act of 2021("ARPA") to help mitigate the financial devastation COVID-19 has caused to American families, individuals, and businesses. One of the key tenets of the ARPA extends advance premium tax credits ("APTC") to those

[5] *See e.g.* FDA Covid-19 Vaccine Booster Plan Could Be Ready Within Weeks - WSJ, August 5, 2021; Booster Shots for Immunocompromised People in the Works, Fauci Says (webmd.com), August 6, 2021.
[6] *P.L. 116-136, Section 3203(a). See* BILLS-116hr748enr.pdf (congress.gov).
[7] *See* L&E's actuarial report, pp.7-8.
[8] WHO Calls for Halt to Covid-19 Booster Shots to Tackle Shortfall in Developing World - WSJ, August 4, 2021.

[9] *See* Rate Filing at BCBS-132812175, Consumer Disclosure – Individual Market, May 17, 2021 ("This filing impacts about 17,159 individuals now enrolled with BCBSRI and new customers joining after January 1, 2022.").

individuals making between 400% and 600% of the federal poverty level ("FPL") and who choose to purchase their health insurance from the federal or state-based health exchanges.[10] Prior to the enactment of ARPA, the Affordable Care Act capped premium tax credits at 400% FPL. The ARPA's APTC provision is operative in 2021 and 2022, making it very likely (if not guaranteed) more individuals will sign up for health insurance on the Exchange for 2022. In fact, Healthsource RI is already advertising the benefits of ARPA to Rhode Island consumers.[11] As such, even more Rhode Islanders will be subject to and harmed by any rate increase in the individual market.

ARPA also presents you, as Commissioner, with a consideration that was not present last year. Given the expansion of APTC eligibility, there will likely be more healthy people in the individual market pool whose presence will mitigate the losses BCBSRI would experience from its sicker individuals. This principle – making health insurance more affordable to incentivize healthy adults to buy insurance – is the scaffold of the Affordable Care Act. By expanding APTC eligibility, the federal government has recognized the importance of recruiting, through financial incentives, healthy people into the risk pool whose presence ultimately financially benefits the insurers. More healthy people purchasing insurance must be a factor when considering affordability of premium rate increases because of the financial benefit to insurers. As Commissioner, you have the opportunity and authority to pass on this expected financial benefit to Rhode Islanders by denying this rate increase.

Unaffordability in context

It is critical that all individuals seeking insurance in the individual market, whether by choice or by force of circumstance, pay the lowest possible rates to ensure continuity of care for themselves and their families. In addition, those who will need health insurance in the individual market – who simply cannot afford an increase in rates but who have been shouldering increases for years – include people and communities already suffering from profound inequities.

As of July 2021, job loss nationally has been experienced disproportionately by African Americans at 9.2 %, followed by Latinx at 7.4 %, 5.8% for Asian people and 5.2 % for white people.[12] These are the people and communities who will be turning to the individual market. Yet even before the COVID pandemic, the proportion of African Americans and Latinx in Rhode Island who report not seeking medical attention is 11.3% and 21%, respectively, according to the Rhode Island Commission for Health Advocacy and Equity – Legislative Report January 2020.[13] Recognizing the many social determinants of health, this report identifies housing burden and food insecurity (among other measures) concentrated in communities with high African American and Latinx populations. In addition, now that Rhode Island has instituted a state-based individual mandate[14], all Rhode Islanders must have health insurance or pay a tax penalty. The cost of not

[10] *See P.L. 111-148, § 1401; H.R. 1319, § 9661; I.R.C. § 36B*.
[11] The American Rescue Plan Act of 2021 | HealthSource RI.
[12] *See* Bureau of Labor Statistics report of July 2021, https://www.bls.gov/news.release/empsit.nr0.htm.
[13] https://health.ri.gov/publications/reports/2020CommissionForHealthAdvocacyAndEquityLegislative.pdf
[14] R.I. Gen. Laws § 44-30-101(c) (imposing a shared-responsibility payment on all persons who do not show proof of health insurance).

having health insurance is not only felt when an uninsured person needs care, but when he or she pays state taxes.

Insurance premium costs continue to rise and, while unacceptable in any year, such increases are egregious and unconscionable in the time of COVID. These stark and disturbing disparities in health care and its determinants have played out with a vengeance during the COVID pandemic. In Rhode Island, 29% of all coronavirus cases are among Latinx, who make up just 16% of the population.[15] Likewise, 7% of all cases are among African Americans who make up just 8% of Rhode Island's population.[16]

The disparate health impact on Latinx and African American communities in Rhode Island of decades of policy and practice has been clearly documented by the State's own Commission for Health Advocacy and Equity, and any increase in rates will present yet another obstacle to care. Further, because a rate increase in the individual market would fall upon those who have lost employer-provided health insurance, it will have the greatest impact on these same communities that are bearing a particularly heavy cost because of the COVID pandemic, compounding these historic and current inequities.

The Attorney General urges you to exercise your regulatory authority and discretion to determine 2022 rates based upon affordability to the people who must pay for those insurance products. OHIC Regulation 230-RICR-20-30-4 (Powers and Duties of OHIC), Section 4.9 (C) delineates the factors to consider in determining affordability of rates, including the ability of lower-income individuals to pay for health insurance. The Attorney General also urges you to factor any and all OHIC initiatives that aim to reduce hospital and emergency room utilization for primary care purposes into your analysis of the reasonableness of frequency of this utilization in 2022. In addition, BCBSRI has a responsibility to "provide affordable and accessible health insurance to insureds" and "employ pricing strategies that enhance the affordability of health care coverage." *See R.I. Gen. Laws §§ 27-19.2-3(1) and 27-19.2-10(3).* While it does not happen often, there is precedent for OHIC to approve a rate change of 0.0%, as OHIC did in 2008, or even a decrease, as OHIC did in 2011 (1.1% decrease) and more recently in 2019 (1.5% decrease).[17]

The Actuarial Basis for Denying BCBSRI's Request for a 3.1% Increase

There is a strong actuarial basis for denying the rate increase proposed by BCBSRI. After review of BCBSRI's filings and the company's responses to questions posed both by OHIC and the Attorney General, L&E concluded that it is both reasonable and actuarially appropriate to reduce BCBSRI's proposed rate increase from 3.1% to 2.3%, **and this even before affordability is factored**. As explained more fully in our actuarial report, we find that reductions based on inpatient trends, ARPA impact, risk adjustment, COVID boosters, and contribution to surplus are

[15] *See* Pie Graphs, COVID-19 by Race and Ethnicity in Rhode Island (percentages based on known cases), Demographics of COVID-19 in Rhode Island | WPRI.com, August 3, 2021.
[16] *See id.*
[17] In 2019, BCBSRI requested a 0.1% decrease. In 2011, BCBSRI requested an increase of 4.5%.

necessary and actuarially appropriate, with total premium savings of approximately nine hundred thousand dollars ($900,000) if all reductions are adopted by OHIC.

BCBSRI has sought increases for twelve (12) out of the past fourteen (14) years (2008-2021). BCBSRI's requested increases have ranged from a low of 2.4% in 2011 to a high of 18.1% in 2013.[18] While former OHIC Commissioners have almost always approved rate changes less than what BCBSRI has requested, BCBSRI has received a rate increase almost each year, ranging from 1.9% in 2010 for 2011 rates and 12.1% in 2017 for 2018 rates. Last year in 2020 for 2021 rates, Commissioner Ganim approved a 3.3% increase for BCBSRI members despite our actuaries finding that only a 1.2% increase was actuarially appropriate before affordability. Our Office has consistently provided alternative rate calculation reductions which always result in a lesser rate increase than what BCBSRI proposes, or even a decrease. Based on our Office's historical experience of reviewing BCBSRI's rate filings and based on the current information contained in BCBSRI's rate filing for 2022, our Office has found no evidence that BCBSRI will become insolvent or significantly underfunded if its rates are not approved as requested by our Office. We thus request all actuarially supported data be viewed in the light most favorable to the insured and to the affordability of products.

Conclusion

The Attorney General's actuaries cannot justify an increase of more than 2.3%. Taking into account the unaffordability of even that increase, as you are authorized to do, no increase at all can be justified. In addition to actuarial assumptions and findings, the impact COVID has had and continues to have on the very real people the insurance plans serve must be considered. It is no secret that many Rhode Islanders continue to struggle financially during this pandemic, which is far from over – a recent news report confirmed that there are more daily cases of COVID reported in Rhode Island right now than this time last year in 2020.[19] The unemployed will find themselves in a precarious situation, having to choose between paying for insurance no longer received through their employer or paying for other necessities such as food or housing and facing a tax penalty. Those who have suffered symptoms from COVID, particularly those victims of long-haul COVID, should not have to worry about affording health insurance.

Keeping the needs and considerations of the affected insured always first and foremost, the Office of the Attorney General asks that you place significant weight on the unaffordability of higher health insurance rates and deny any rate increase in the individual market to BCBSRI in the best interest of the public. Notwithstanding the above arguments, should a rate increase be

[18]Due to the implementation of the 1332 waiver reinsurance program, BCBSRI requested a decrease of 0.1% in 2019 for 2020 rates. In 2012, on the cusp of implementing the changes under the Affordable Care Act, OHIC, BCBSRI, and our Office agreed to keep rates approved in 2011 in place until 2013.

[19] 150 cases per day versus 100 cases per day. *See* https://www.wpri.com/target-12/heres-how-covid-19-looks-in-2021-compared-to-2020-in-rhode-island/, August 3, 2021.

approved, our Office will seek precise factual and actuarial bases from OHIC for this decision. Thank you for your consideration.

Respectfully Submitted,

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August 11, 2021

State of Rhode Island Office of the Health Insurance Commissioner

Re: Blue Cross and Blue Shield of Rhode Island
2022 Individual Rate Filing
SERFF# BCBS-132812175

Submitted on Behalf of the Rhode Island Office of Attorney General

The purpose of this letter is to provide a summary of Lewis & Ellis, Inc's (L&E) actuarial analysis regarding the proposed 2022 Individual Rate Filing for Blue Cross and Blue Shield of Rhode Island (BCBSRI or Company) and to assist the Rhode Island Office of Attorney General (OAG) in recommending changes to the proposed rates.

FILING DESCRIPTION

1. BCBSRI is a not-for-profit insurer that provides health insurance coverage to Rhode Islanders. This filing proposes premiums for BCBSRI's Qualified Health Plans (QHPs) that will be offered on HealthSource Rhode Island (HSRI) beginning January 1, 2022.

2. As required by the Affordable Care Act (ACA), insurers selling plans on HSRI must offer Silver plans with cost-sharing reductions (CSRs) to Rhode Islanders with certain income levels, known as "Silver Loaded" plans. These members pay a reduced premium that is limited to a specified percentage of their income. Additionally, these plans include premium funding to offset the loss of federal CSR payments.

   In addition to the Silver plans offered on HSRI, BCBSRI offers Silver plans outside of the Exchange. The premiums for these plans are not Silver Loaded, and therefore do not reflect cost-sharing reductions.

3. BCBSRI initially submitted proposed rates on May 17, 2021, with an average rate increase of 1.3%. On June 11, 2021, BCBSRI was notified that the Rhode Island state reinsurance program was modified due to new information about lower than expected tax revenue for the program. Based on the new reinsurance program parameters, BCBSRI revised their proposed rate impact to an average rate increase of 3.1%. This report's analysis is based on the proposed rates as of June 11, 2021.

PURPOSE AND SCOPE

Pursuant to Rhode Island Gen. Laws *§§27-36-1, 27-19-6, and 27-20-6*, the OAG is vested with the authority and enforcement of the laws within the State of Rhode Island, including, but not limited to, representing, protecting, and advocating on behalf of consumers at public rate hearings.

A public rate hearing must be held for a requested rate increase of 10% or higher by an insurer covering 10,000 or more individual lives per Rhode Island Gen. Laws *§§27-19-6(f) and 27-20-6(f)*. In the event a public rate hearing is not triggered, Rhode Island law *[§§27-19-6(j)(2)-(k), 27-20-6(j)(2)-(k), and 27-36-2(a)]* allows the OAG to hire actuaries to review the proposed rate filings.

The OAG has engaged L&E to perform such an actuarial review for the 2022 Individual market ACA rates. This letter is to assist the OAG in recommending changes to the proposed rates, if applicable. L&E's recommendations focus on producing rates that are not excessive, inadequate, or unfairly discriminatory[1]. Premium affordability is not within the scope of L&E's actuarial review.

SUMMARY OF RECEIVED DATA

BCBSRI provided the methodology used to develop the proposed 2022 Individual market premiums. The Company provided exhibits which demonstrated the quantitative development for each component of the premium request, including trend, morbidity adjustments, federal programs, administrative costs, and taxes and fees.

BCBSRI provided additional exhibits and information as requested during the rate review process.

L&E ANALYSIS

The items outlined below are the filing assumptions where L&E recommends changes to the proposed 3.1% rate increase.

1. INPATIENT UTILIZATION TREND

The base period for this filing is 2020. Because of the various care disruptions related to local and state COVID-19 restrictions, 2020 claims experience must be assessed carefully relative to prior years' claim experience. Due to 2020 disruptions, BCBSRI's rating methodology effectively bases the projected rates on 2019 experience.

This was accomplished in two steps. First, BCBSRI compared the actual 2020 experience to what would have been expected to happen in 2020 if 2019 experience was trended forward by one year.

[1] This is based on Actuarial Standards of Practice No. 8
http://www.actuarialstandardsboard.org/asops/regulatory-filings-health-benefits-health-insurance-andentities-providing-health-benefits/#312-regulatory-benchmark

This difference, outlined below, is assumed to be the effect of COVID-19.

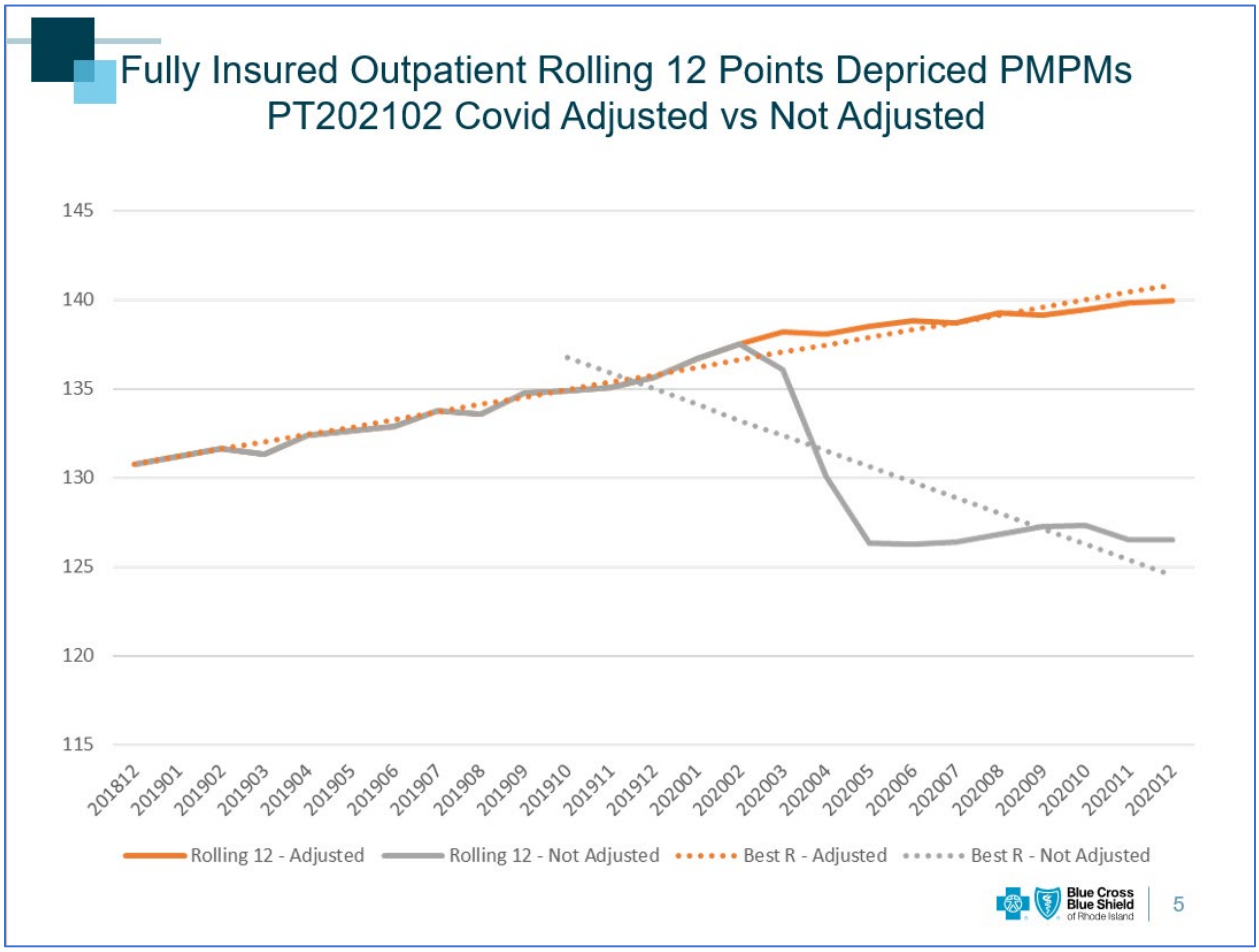
Utilization Category	2019 Experience Trended to 2020 per 1,000	Observed 2020 Experience per 1,000	Difference
Inpatient	59.5	48.5	23%
Outpatient	163	141	16%
Professional	173	170	2%
Rx	165	165	0%
Overall Cost	$587 PMPM[2]	$537 PMPM	~9%

The approximate 9% COVID-19 adjustment is functionally equivalent to using 2019 experience plus one year of trend.

The Company's second step was to apply two more years of trend such that the adjusted experience is now reflective of expected 2022 claim levels. This means that the projected claims include three years of utilization trend. Therefore, the trend assumptions are more influential in setting premiums compared to a typical rating year where two years of trends are used.

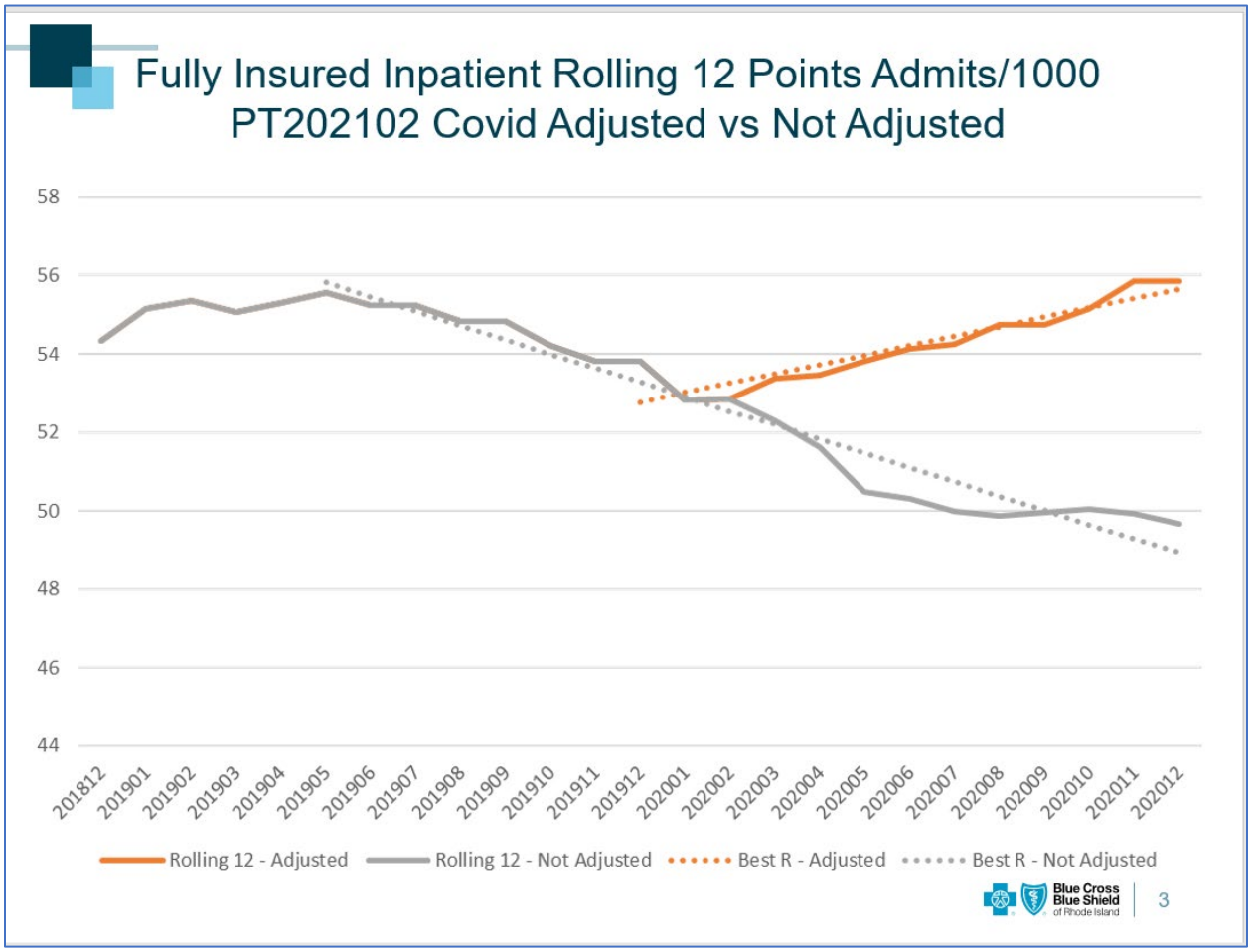
For most service categories, BCBSRI assumed that trend assumptions will continue to follow long-term patterns. For example, the following graph provided by BCBSRI demonstrates that outpatient hospital services (in grey) were exhibiting a gradual upward trend until COVID-19 caused a sharp reduction. The graph also demonstrates that the assumed trend (in orange) mirrors the pre-COVID-19 pattern and is consistent with data up to the disruption point.

[2] Per Member Per Month



L&E believes the assumed outpatient trend reflected in the above exhibit is reasonable since the orange adjustment line accounts for the disruption caused by COVID-19. By assuming that the slight trend increase will continue into 2022, L&E believes that BCBSRI is a proposing an outpatient trend assumption that is consistent with available data.

The following exhibit, which was provided by the Company, illustrates the Company's inpatient trend assumption.



In setting the inpatient trend assumption, BCBSRI assumed that the observed downward trend occurring before the pandemic would suddenly reverse in the absence of COVID-19.

L&E notes that the pattern of actual claims (in grey) is relatively smooth, whereas the assumed trend curve has a sudden discontinuity. BCBSRI assumed that, if COVID-19 had not occurred, the decrease in inpatient claims would have immediately ceased and been replaced by an increase of 1% per year.

When L&E raised concerns about the abrupt change in trend, BCBSRI responded that a short-term view of inpatient claims is not appropriate, and that the Company set the inpatient trend assumption using more long-term data. However, none of the data provided suggests a long-term upward trend. Based on the information provided, inpatient claims have been consistently lower than 2017 levels.

While there is some indication that there may be a negative utilization trend present in this block, due to COVID-19 disruptions, L&E believes that the most reasonable assumption is to assume a 0% utilization trend until 2021 data becomes available.

Because the 1% trend increase is being applied for three years, a 3% inpatient claims reduction is produced when this provision is reduced to 0%.

Since inpatient claims account for 22% of projected claims, there is an approximate 6% rate reduction.

2. AMERICAN RESCUE PLAN ACT

The 2021 American Rescue Plan Act (ARPA) made additional premium subsidies available for persons covered in the Individual market. Individuals who previously had to pay the entire premium for coverage will now be eligible for subsidies and in some cases, substantial subsidies. Additionally, members currently eligible for premium subsidies will generally be eligible for larger subsidies, which would decrease their premiums.

In 2020, households below 400% of the federal poverty level (FPL) made health insurance decisions based on lower subsidies than what will be available in 2022. For those with income exceeding 400% FPL, they will now be eligible for premium subsidies.

The introduction of the new subsidies will reduce the incentive for healthy uninsured people to remain uninsured since they will now be able to purchase coverage at a reduced rate. The addition of the previously uninsured, healthy population to the Individual market should improve the overall morbidity of the Individual market.

Based on US Census data by age and income, L&E estimates that there are approximately 31,000 uninsured Rhode Islanders that will be eligible for increased subsidies due to ARPA. Assuming a 5% take-up rate, and assuming that these individuals are 10% healthier than the current Individual market, the expected new enrollment would decrease the Company's Individual market morbidity by approximately 0.3%. This calculation is illustrated below.

Population	Members	Morbidity Level
2020 Population	47,244	1.000
Expected New ARPA Members	1,569	0.900
Expected 2022 Population	48,813	0.997
Change from 2020 to 2022		-0.3%

3. RISK ADJUSTMENT:

The initial filing calculated projected risk transfers based on the data available at the time. However, CMS released final 2020 risk adjustment results on June 30, 2021. L&E believes that this updated data should be used as the basis for the 2022 rates, as it reflects the most up-to-date information about the risk adjustment program as it is functioning in Rhode Island. Because the actual 2020 risk transfer received by BCBS was lower than anticipated, the rates should increase (before other recommendations) from 3.1% to 4.7%.

A company's risk adjustment transfer payment (payable or receivable) is dependent on the Company's morbidity relative to the Individual market and the Individual market's average premium rate.

BCBSRI consistently receives transfers payments from the risk adjustment program since the Company has a disproportionately unhealthy population relative to their competitor in the Rhode Island Individual market.

L&E notes one issue regarding the Company's estimated 2022 risk adjustment transfer payment. BCBSRI did not account for premium increases that are occurring between 2020 and 2022. The average 2021 premium increase was 4.2%, and the average 2022 increase based on L&E's recommendations is approximately 4.3%. Therefore, it is reasonable to expect that statewide average premium and BCBSRI's transfer payment would increase by approximately 9%.

BCBSRI will receive $10.88 PMPM in risk transfers for 2020. A 9% transfer change increases the 2022 transfer by $0.94 PMPM. Given this increase to risk transfers, premiums should be reduced by approximately 0.2% to reflect the additional revenue available to BCBSRI. The combination of the two risk adjustment recommendations produce a net change of +1.4%.

4. COVID-19 BOOSTERS

BCBSRI included a provision in the proposed rates to reflect the cost of providing COVID-19 booster shots to their enrollees during 2022. This cost was calculated by assuming that 80% of members would get a booster, and each would cost $40. Therefore, BCBSRI is assuming an average cost of $32 per member per year.

L&E notes the following regarding COVID-19 boosters.

- It is not guaranteed that a COVID-19 booster will be generally available during 2022.
- It is not known that a COVID-19 immunization will be needed annually. Many recommended vaccinations, such as measles, mumps, rubella (MMR), hepatitis A & B, etc., are not required annually.
- If vaccinations are needed annually, there is not yet clear guidance on whether boosters will be indicated for the general population, or perhaps only for seniors and immunocompromised individuals. As of July 2021, the CDC does not recommend additional doses for fully vaccinated individuals.[3]
- There is potential for federal or state subsidies to partially offset the insurer's cost burden of providing COVID-19 boosters.

Based on current vaccination rates and hesitancy regarding initial vaccine doses, L&E does not believe that 80% is a reasonable estimate for the percentage of the Individual market population that will seek out a vaccine booster.

L&E considers the estimated $40 per dose cost to be reasonable.

[3] https://www.cdc.gov/vaccines/covid-19/hcp/faq.html, accessed on 7/26/2021.

L&E believes a reasonable assumption for the combined administration and ingredient cost to be $100. Current vaccination rates for the under 65 age group relevant to this filing are approximately 50%.

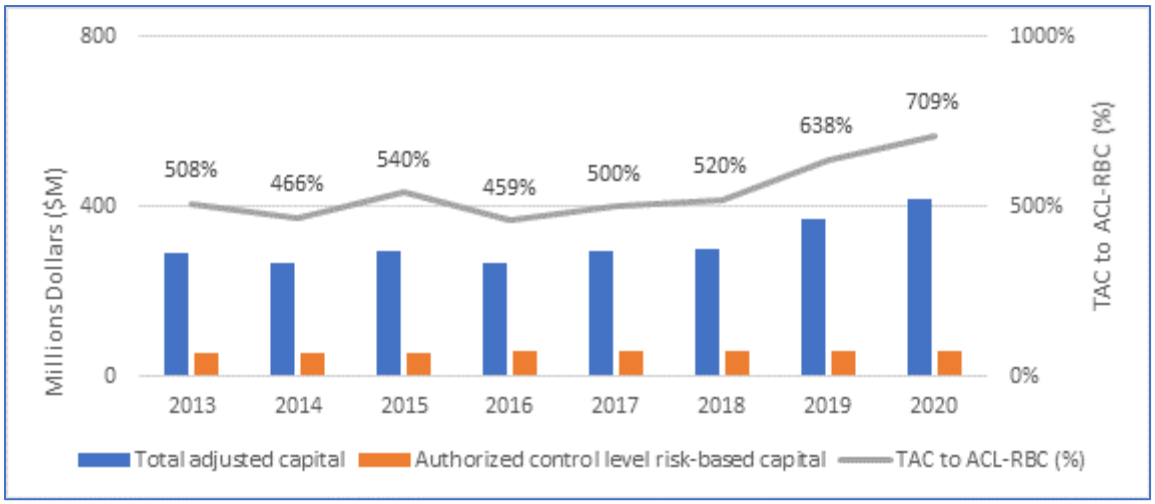
L&E has not been provided enough evidence regarding the necessity of COVID-19 boosters and the ultimate cost borne by insurers. Assuming a 25% likelihood for these occurrences would produce an assumed $12.50 cost per member per year, or just over $1 PMPM. Making this COVID-19 booster adjustment reduces rates by approximately 0.3%.

5. CONTRIBUTION TO SURPLUS:

After paying for administrative and claims costs, BCBSRI, as a non-for-profit entity, places any excess funds into an unassigned funds account (i.e., surplus). One use for this surplus is to protect consumers from a potential Company insolvency.

A common metric to assess surplus is the risk-based capital (RBC) ratio. Since 2019, BCBSRI's RBC ratio has improved from historical norms, as shown below:

BCBSRI Historical RBC Ratio



Prior to COVID-19, BCBSRI included a contribution to surplus of 4.0% of premium in their rates. It should also be noted that the RBC ratio began rising even before the pandemic.

For 2021, the Company reduced the requested margin to 2.0% in recognition of the favorable experience resulting from COVID-19 restrictions. For 2022, BCBSRI has proposed increasing the surplus margin assumption to 2.5%.

L&E believes that the Company's recent RBC levels are not unreasonable due to the level of current market uncertainty (primarily related to the pandemic); however, L&E recommends that the surplus margin be reduced to 1.5%. This level of margin should allow the Company to maintain RBC levels consistent with recent results.

L&E recognizes that given BCBSRI's current financial and RBC position, a wide range of surplus margins could be considered reasonable. Therefore, L&E also recommends that OHIC strongly consider the affordability of premiums and other non-actuarial factors in their determination of an appropriate surplus margin.

RECOMMENDATIONS

L&E believes that this filing, with the following modifications, produces rates that are not excessive, inadequate, nor unfairly discriminatory.

1. INPATIENT UTILIZATION TREND

L&E recommends that the inpatient utilization trend be reduced to 0% for all three years in the projection. This produces a rate decrease of approximately 0.6%.

2. AMERICAN RESCUE PLAN ACT

L&E recommends that the projected premiums be reduced by 0.3% to reflect the favorable market wide morbidity impact anticipated from ARPA.

3. RISK ADJUSTMENT:

L&E recommends that the actual 2020 risk adjustment transfer amount and the impact of rate increases be appropriately considered. This would increase rates by approximately 1.4%.

4. COVID-19 BOOSTERS

L&E recommends that the COVID-19 booster assumptions be reduced which would reduce rates by approximately 0.3%.

5. CONTRIBUTION TO SURPLUS:

L&E recommends that the contribution to surplus be reduced to 1.5% of premium. This would reduce rates by approximately 1.0%. L&E believes that OHIC should consider all actuarial and non-actuarial factors when determining a reasonable contribution to surplus.

After modification, the rate increase will change from +3.1% to +2.3%. Implementing these recommendations would result in a savings of $4.44 per member per month to Rhode Islanders. This amounts to a total savings of approximately $900,000.

2022 RECOMMENDED RATE CHANGES

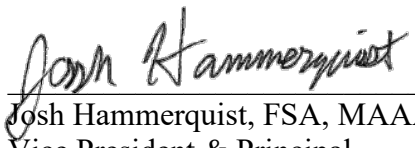
A breakdown of L&E's recommendation by rating component is provided below:

Component	Rate Change
BCBSRI Proposal	+3.1%
Inpatient Utilization Trend	-0.6%
ARPA	-0.3%
Risk Adjustment	+1.4%
COVID-19 Boosters	-0.3%
Contribution to Surplus	-1.0%
L&E Recommendation	**+2.3%**

Sincerely,

Kevin Ruggeberg, FSA, MAAA
Vice President & Consulting Actuary
Lewis & Ellis, Inc.

Dave Dillon, FSA, MAAA, MS
Senior Vice President & Principal
Lewis & Ellis, Inc.



Josh Hammerquist, FSA, MAAA
Vice President & Principal
Lewis & Ellis, Inc.

ASOP 41 DISCLOSURES

The Actuarial Standards Board (ASB), vested by the U.S.-based actuarial organizations[4], promulgates Actuarial Standards of Practice (ASOPs) for use by actuaries when providing professional services in the United States.

Each of these organizations requires its members, through its Code of Professional Conduct[5], to observe the ASOPs of the ASB when practicing in the United States. ASOP #41 provides guidance to actuaries with respect to actuarial communications and requires certain disclosures which are contained below.

IDENTIFICATION OF THE RESPONSIBLE ACTUARIES

The responsible actuaries are:

- Kevin Ruggeberg, FSA, MAAA, Vice President & Consulting Actuary.
- Dave Dillon, FSA, MAAA, MS, Senior Vice President & Principal.
- Josh Hammerquist, FSA, MAAA, Vice President & Principal.

IDENTIFICATION OF ACTUARIAL DOCUMENTS

The date of this document is August 11, 2021. The date (a.k.a. "latest information date") through which data or other information has been considered in performing this analysis is July 27, 2021.

DISCLOSURES IN ACTUARIAL REPORTS

- The contents of this report are intended for the use of the Rhode Island Office of Attorney General. The authors of this report are aware that it will be distributed to third parties. Any third party with access to this report acknowledges, as a condition of receipt, that they cannot bring suit, claim, or action against L&E, under any theory of law, related in any way to this material.

- Lewis & Ellis is financially and organizationally independent from BCBSRI. L&E is not aware of anything that would impair or seem to impair the objectivity of the work.

- The purpose of this report is to assist the OAG in recommending changes to the proposed rates.

- The responsible actuaries identified above are qualified as specified in the Qualification Standards of the American Academy of Actuaries.

- Lewis & Ellis has reviewed the data provided by BCBSRI for reasonableness; however, not every aspect of the data has been audited. Neither L&E, nor the responsible actuaries, assume responsibility for the items that may have a material impact on the analysis. To the extent that there are material inaccuracies in, misrepresentations in, or lack of adequate disclosure by the data, the results may be accordingly affected.

[4] The American Academy of Actuaries (Academy), the American Society of Pension Professionals and Actuaries, the Casualty Actuarial Society, the Conference of Consulting Actuaries, and the Society of Actuaries.

[5] These organizations adopted identical *Codes of Professional Conduct* effective January 1, 2001.

- Notwithstanding the ongoing COVID-19 pandemic, L&E is not aware of any subsequent events that may have a material effect on the findings.

- There are no other documents or files that accompany this report.

ACTUARIAL FINDINGS
The actuarial findings of the report can be found in the body of this report.

METHODS, PROCEDURES, ASSUMPTIONS, AND DATA
The methods, procedures, assumptions, and data used by the actuaries can be found in body of this report.

ASSUMPTIONS OR METHODS PRESCRIBED BY LAW
This report was prepared as prescribed by applicable law, statues, regulations, and other legally binding authority.

RESPONSIBILITY FOR ASSUMPTIONS AND METHODS
The actuaries do not disclaim responsibility for material assumptions or methods.

DEVIATION FROM THE GUIDANCE OF AN ASOP
The actuaries have not deviated materially from the guidance set forth in the applicable ASOPs.