Delaware Health Insurance Rate Filing Requirements

Part II Preliminary Justification—Content and Format Requirements

The Delaware Insurance Department (DOI) requires all health insurance companies, also referred to as "Issuers", who submit Rate Filings for products offered in the single risk pool in the individual and small group market to submit a Part II Preliminary Justification*, regardless of whether the rate filing reflects a positive, negative or neutral rate change.*

Beginning with Rate Filings for Coverage Year 2017, the DOI is implementing the following content requirements and format guidelines to enhance transparency for consumers and to ensure consistency of information across Issuers. The DOI requests that companies address each item within each section and in the sequence outlined below. ***Issuers are reminded to use clear, consumer-friendly language to promote broad public understanding****.*

General Information

- Company Legal Name **Highmark BCBSD Inc.**
- Market for which proposed rates apply (Individual or Small Group) **Individual Market**
- Total proposed rate change (increase/decrease) **-19.0%**
- Effective date of proposed rate change **January 1, 2020**

Summary

- Provide a brief narrative summary of the scope and range of the rate change (i.e., increase or decrease) as well as the number of people impacted. Include how the rate change varies across products/plans.

  The overall rate decrease of 19.0% will affect 21,887 members. The rate change will vary by product ranging from a minimum of -22.6% to a maximum of -13.6%.

- Provide a summary of the historical revenue, claims, expenses and profit on the product(s), and how the rate change should impact these in the future.

  Attachment B - Supplemental Health Care Exhibit contains a summary of revenue, claims and expenses. Revenue is expected to decrease with the rate change, claims are expected to increase with trend.

- Provide a chart (example below) listing all components of the proposed rate change (increase/decrease). Please note the factors used in this chart are for illustrative purposes only and the Company should use factors pertaining to their proposed rate change. All factors should multiply to the Total Proposed Rate Change (increase/decrease).

  Please see table on the following page.

Factor	Rate Change
Base Experience	-4.9%
Trend Assumptions	0.0%
Retention	5.7%
1332 State Innovation Waiver for Reinsurance	-15.1%
Morbidity	-9.8%
Settlements, Rx Rebates, and SB 227	0.7%
Product Design and miscellaneous	4.7%
Total Increase	**-19.0%**

- State the proposed average rate change (increase/decrease). *(Must match the proposed average rate change as indicated in HIOS, Actuarial Memorandum and Company Rate Information Page in SERFF. Please note that the average rate change reported in all three locations should match.)*

  The proposed average rate change is -19.0%

- Provide a brief explanation for the rate change in each of the factors shown in the chart.

  Base Experience – decrease in CMS required starting claim base for rate development.

  Trend – the trend used in the 2019 rate development is similar to the projected trend.

  Retention – net change in retention components including administrative expense, taxes, licenses and fees, and profit and risk. The primary reason for the increase is the return of the HCR insurer tax.

  1332 State Innovation Waiver for Reinsurance – decrease due to the implementation of State of Delaware's 1332 State Innovation Waiver for reinsurance program.

  Morbidity – The morbidity adjustment reflects multiple changes, including blending of the ACA pool and new members from multiple sources including uninsured and the employer markets. A 3.7% load for the elimination of the insurance mandate has been added to morbidity.

  Settlements, Rx Rebates, and DE SB 227 – increase due to changes in hospital settlements, Rx rebates, and an estimated impact for Delaware Senate Bill 227 which is expected to increase provider reimbursement.

  Product Design and miscellaneous- the projected weighting of member purchases by plan as well as other miscellaneous factors in the rating process make up the remainder of the rate impact.

Reason for Proposed Rate Change (Increase/Decrease)

- Provide a brief narrative discussing all the reasons for the proposed rate change in Delaware, including, but not limited to:
    - How provider costs and utilization contribute to the need for the rate change
    - How legally required benefit changes contribute to the need for the rate change
    - How administrative costs and anticipated profits contribute to the need for the rate change

The proposed rate change is due to the items discussed in the above proposed rate chart.

Due to changes in provider costs and additional utilization of the population, the assumed trend is a necessary component of the change.

An increase in net retention is expected to raise overall costs.

Delaware Senate Bill 227 is expected to increase provider reimbursement.

The loss of enforcement of the individual mandate and Cost Share Reduction reimbursement are reflected in the rate change.

Effect of the Average Proposed Rate Change (Increase/Decrease) on Policyholders

- Provide the period for which the rates will apply.

January 1, 2020 – December 31, 2020

- Provide the number of members affected by the proposed rate change.

21,887 members

- Provide a brief narrative discussing new plans, plans that are not renewed and whether the proposed rate change applies to all plans. If no, provide a listing of all proposed rate changes by product/plan.

New plans and non-renewed plans are NOT included in the overall average rate change calculation for 2020.

Highmark is introducing three new plans:

76168DE0410023	**Shared Cost Blue EPO Gold 0 - 2 Free PCP Visits**
76168DE0420006	**Health Savings Embedded Blue EPO Bronze 6750 HSA**
76168DE0410022	**Shared Cost Blue EPO Bronze 7800 - 1 Free PCP Visit**

Non-Renewed Plans:

76168DE0410019	**Shared Cost Blue EPO Silver 3500 - 2 Free PCP Visits**

76168DE0410020 Shared Cost Blue EPO Silver 0

- Discuss why the rate changes vary and how they vary.

  Rate changes vary depending on actuarial value, benefit richness and eligibility for catastrophic coverage.

Medical Loss Ratio (MLR)

Under the ACA, at least 80% of the premiums collected by health plans are expected to pay for medical care and activities that improve health care quality for members. If the actual MLR falls below 80%, the insurance company will issue rebates to members in accordance with the law.

- What is the projected MLR for the proposed rate(s)?

  The anticipated medical loss ratio is about 88% relative to total premium less taxes and fees. This loss ratio is calculated consistently with the federally prescribed MLR methodology.

- How does the proposed rate change (increase/decrease) align with the projected MLR?

  The anticipated medical loss ratio is about 88% relative to total premium less taxes and fees. This loss ratio is calculated consistently with the federally prescribed MLR methodology.

- What types of activities does the Company conduct to improve the health care quality for members that are included as part of the 80% (or greater) share?

  Highmark Delaware continues to focus efforts on care management activities in order to lower the future medical cost for its members. Clinical teams, led by experienced doctors and nurses, analyse claim data to identify opportunities for more efficient care delivery and lower medical cost trends.

- Discuss specifically what the Company is doing to keep premiums affordable.

  Highmark Delaware products that include two free professional office visits are aimed at improving the quality, effectiveness, and efficiency of care. As health care continues to evolve, Highmark Delaware remains committed to providing a variety of product offerings to meet the needs of individuals and families.