

## Consumer Justification Narrative

### BlueCross BlueShield of South Carolina Rate Change (effective 1/1/2019) for Business BlueEssentials Small Group Health Plans

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

Depending on the plan selected, approximately 32,200 members currently enrolled in a Business BlueEssentials Small Group health plan will see an adjustment to premiums effective at renewal beginning January 1<sup>st</sup>, 2019.

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

During 2017, premiums received have generally been sufficient to cover claims paid, administrative costs, commissions, taxes, and fees. The rate adjustment effective January 1, 2019 is intended to cover future increases in medical costs. If, in 2019, paid claims are significantly less than anticipated, rebates will be paid to Business BlueEssentials members.

#### **Changes in medical service costs:**

BlueCross BlueShield of South Carolina will likely pay more claims in 2019 for the following reasons:

- The availability of association health plans will likely siphon better risks from the ACA market.
- Hospitals and doctors charging more for services.
- More individuals seeking treatment, especially as unemployment in South Carolina remains low.
- Higher drug costs.
- Future uncertainty in the insurance industry.

#### **Changes in benefits:**

Changes to deductibles, copayments, and out-of-pocket maximums to some Business BlueEssentials products were implemented to limit the amount of the necessary rate change 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.