

ARKANSAS BLUE CROSS and BLUE SHIELD

Part II

Rate Filing Justification

Arkansas Blue Cross and Blue Shield proposes an average premium revenue increase equating to 4.40% per person for its Affordable Care Act (ACA) Individual policies issued on and after January 1, 2019. This premium revenue increase is primarily due to the combined impact of claims trend, formulary changes and utilization management programs as well as the discontinuation of the Federal reimbursement for cost sharing reductions for non-Arkansas Works exchange purchasers. As of the filing, Arkansas Blue Cross has 186,510 individuals currently enrolled in these policies.

While filing these requested rates for 2019 in an environment filled with much uncertainty as to the rules governing this block of business and the changing mix of the population enrolled in this block, Arkansas Blue Cross remains committed to ensuring access to health insurance for all Arkansans. Additionally, in submitting the 2019 rates for this individual block of business, Arkansas Blue Cross gave great consideration to the budget cap established for the Arkansas Works program as well as the unique approach of the Arkansas Works program to expanding coverage for many of our state's most vulnerable citizens.

The associated rate requests for 2019 are based on a variety of factors that will be detailed further in this document.

Importantly, this rate filing assumes that most of the market will remain relatively stable and not experience the wide fluctuations in membership that occurred in past years after health insurance premium rates had been finalized.

This filing anticipates a significant change in the market. DHS plans to phase out the Arkansas Works program coverage of individuals with incomes between 100-138% of the Federal Poverty Level during 2019. These individuals will have to pay their full premium; however, many will qualify for advanced premium tax credit through the Marketplace (Exchange).

The proposed rates for 2019 are also based on the premise that the federal government will continue to not fund the ACA cost sharing reduction program. It is undisputed that the Affordable Care Act (ACA) has expanded access to health insurance for millions of Americans, guaranteed coverage for individuals with pre-existing conditions, removed underwriting adjustments for individuals and increased benefits. Unfortunately, the ACA did nothing to control continually rising medical costs. Furthermore, new access to health insurance coverage for a previously uninsured population and the expansion of essential health benefits has created new costs. In determining premiums, Arkansas Blue Cross carefully considered the medical costs associated with a system in which everyone who

ARKANSAS BLUE CROSS and BLUE SHIELD

Part II

purchases a health insurance policy can obtain coverage and pay the same premium rate regardless of their health status.

Medical costs continue to have the biggest impact on health insurance premiums. The filed rates reflect the cost of care for those with chronic or long-term medical conditions, an aging population and the increased cost of new medicines, procedures and technologies. Health insurance premiums are also impacted by the mix of healthy people versus those with pre-existing or costly medical conditions.

Amidst this ongoing trend of increasing costs, Arkansas Blue Cross continues focusing on meeting the needs of its members while offering rates that are competitive in the exchange marketplace and that are within the state's Arkansas Works budgetary framework. In order to achieve these goals Arkansas Blue Cross adjusted its benefit designs while still complying with the QHP framework and strengthened efforts to ensure coverage of appropriate and necessary care .

The Arkansas Blue Cross line of products for 2019 offer a range of benefit options and costs that allow Arkansans to choose the coverage that best fits their needs. Additionally, Arkansas Blue Cross continues to offer the tools and resources people may need, such as additional customer service representatives with expanded hours to help customers navigate the marketplace and understand their choices.

The goal of Arkansas Blue Cross is simple: to provide members the best possible value for their premium dollars.

Arkansas Blue Cross is working to help its customers stay healthy and ensure that, when they do get sick, they can be assured that their health claims will be paid and that they are protected from financial harm due to health care costs.

In addition, Arkansas Blue Cross customers benefit by:

- **Savings on Prescriptions.** A variety of ways to save money on prescriptions, including mail order services are now available
- **Plan Options.** There is no one-size-fits-all health insurance plan; therefore Arkansas Blue Cross offers a variety of plans with diverse benefits and costs from which people can choose.
- **Toll-free Telephone Support.** A toll-free line is available for customers to speak with a representative who will help find the most cost-effective health plan for their needs.
- **Personalized Treatment Plans.** Personalized treatment plans are available for customers with long-term medical conditions such as high

ARKANSAS BLUE CROSS and BLUE SHIELD

Part II

blood pressure and diabetes. Arkansas Blue Cross has a dedicated medical and support staff to help members manage their chronic conditions and assist them with their ongoing treatment.

Arkansas Blue Cross believes the requested premiums are necessary to adequately support its ACA individual products. Under current law, the federal Minimum Loss Ratio (MLR) requirement for individual policies mandates that 80% of premium dollars be spent on medical care and on making improvements to the quality of care. If the proposed premium rates result in an MLR of less than the proscribed amount, Arkansas Blue Cross will be required to issue rebates to individuals insured by these policies. Arkansas Blue Cross has never had to issue rebates for its individual products and is confident that the 2019 rate request will continue this pattern of appropriately priced products.