

## **BCBSAZ Rate Justification**

### **Scope and Range of the Rate Increase**

We have determined an average rate decrease of 0.1%, varying between -6.4% and 4.0%, is necessary for this filing. The primary drivers are related to medical cost changes, benefit changes, risk adjustment, and taxes and fees. Increases will be effective on January 1, 2020 and will affect approximately 41,000 Arizona policyholders (as of April 2019).

### **Changes in Medical Cost**

Nearly 80% of the premium rate is used to cover claims costs. These costs increase for many reasons, including the increasing cost of services and frequency at which these services are utilized. As well as the introduction of new procedures that can shift utilization and cost.

Rates also include contingencies for expected adverse selection driven by expansion of competing carrier footprints in Arizona. Additionally, elimination of the individual mandate and associated penalties in 2018 and extension of Short-Term Limited Duration (STLD) policies to 364 days is expected to result in healthier individuals dropping health insurance coverage or not purchasing in the future.

### **Changes in Risk Adjustment**

Included in our 2020 Risk Adjustment are changes in 2020 to the CMS Risk Adjustment coefficients, and we have included an allowance to account for projected costs of the new High Cost Risk Pool Adjustment which covers 60% of individual claims over \$1M.

### **Changes in Benefits**

Adjustments to the benefits offered in 2020 from those offered in 2019 include coverage of new services, new EHB requirements, and any changes to meet AV calculator requirements. In addition, in 2020 we will introduce a new narrow network offering, MaricopaFocus, in the Maricopa service area.

### **Changes in Administrative Costs/Taxes/Fees**

In addition to the cost of medical services, there are a number of indirect and non-medical costs associated with providing policies to members. These costs include items such as commissions, employee salaries, contribution to surplus, state and Federal taxes, etc.

The Risk Adjustment user fees increased slightly and exchange fees decreased. For 2019 the Federal Government suspended collection of the Health Insurer Tax, but it was reintroduced for 2020. Therefore, the costs related to that fee were added to the premium rates.