

SERFF Tracking Number: BBDE-127794427 State: Delaware  
Filing Company: Blue Cross Blue Shield of Delaware State Tracking Number: 45723  
Company Tracking Number: 111101  
TOI: 1151 Individual Health - Sub-TOI: 1151.001 Health - Hospital/Surgical/Medical  
Hospital/Surgical/Medical Expense Expense  
Product Name: CHIP buy-in  
Project Name/Number: /

## Objection Letter

Objection Letter Status	Pending Industry Response
Objection Letter Date	11/28/2011
Submitted Date	11/28/2011
Respond By Date	12/26/2011

Dear Jonathan Neipris,

On behalf of the Delaware Insurance Department, INS has reviewed the material filed in support of the subject rate filing. Based on that review, we have identified certain aspects of the filing which require clarification and /or additional information; these items are discussed below. Upon receipt of the requested information, we will continue our review of the subject filing.

### I Rate Development Process

1. After reviewing the Excel File: CHIP Buy-in Program Rates 11.7.11(1), we interpret the rate development process for this program as:

- Calculate the average of the 2011 Highmark CHIP Full Buy-in Premiums for Western Pennsylvania (\$209.99 PMPM) and Central Pennsylvania (\$263.56 PMPM) which is \$236.78 PMPM
- Assume an annual trend rate of 8.0% (corresponding quarterly trend rate of 1.94%) for the period 7/1/2011 through the quarter ending June 30, 2013; and
- Project the average premium of 236.78 PMPM by applying the assumed trend rate for the appropriate number of months in the projection period.

Moreover, the process narrative indicates that the CHIP plans have copays, limitations and member cost sharing provisions. To the extent that such copays, limitations and member cost sharing provisions are removed, a premium increase of 25% would be required.

Paragraph 2503 (a) of Chapter 25 of Title 18 includes the following:

- "(a) (2) Rates shall not be excessive, inadequate or unfairly discriminatory;
- (a) (3) Due consideration shall be given:

SERFF Tracking Number: BBDE-127794427 State: Delaware  
 Filing Company: Blue Cross Blue Shield of Delaware State Tracking Number: 45723  
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 TOI: H151 Individual Health - Sub-TOI: H151.001 Health - Hospital/Surgical/Medical  
 Hospital/Surgical/Medical Expense Expense  
 Product Name: CHIP buy-in  
 Project Name/Number: /

- a. to past and prospective loss experience within and outside this State;...;
- c. to reasonable margin for underwriting profit and contingencies;...;
- e. to past and prospective expenses both countrywide and those especially applicable to this State..."

In order to determine if the rate process described above complies with Paragraph 2503 of Chapter 25 of Title 18, please provide the following assumptions used to develop the proposed rate (with cost sharing and without cost sharing):

A. Proposed Rate with Cost Sharing

	Assumed Cost PMPM
1. Inpatient Facility Services	XXXX
2. Outpatient Facility Services	XXXX
3. FFS Professional Services	XXXX
4. Capitation Cost	XXXX
5. Other Benefit Cost	XXXX
6. Administrative Expenses	XXXX
7. Other Expenses	XXXX
8. Risk Margin and Profit	XXXX
9. Total Cost PMPM	\$ 236.78

B. Proposed Rate without Cost Sharing

	Assumed Cost PMPM
1. Inpatient Facility Services	XXXX
2. Outpatient Facility Services	XXXX
3. FFS Professional Services	XXXX
4. Capitation Cost	XXXX
5. Other Benefit Cost	XXXX
6. Administrative Expenses	XXXX
7. Other Expenses	XXXX
8. Risk Margin and Profit	XXXX
9. Total Cost PMPM	\$ 295.98

2. Please provide the actuarial basis for each of the cost assumptions in the above tables.

SERFF Tracking Number: BBDE-127794427 State: Delaware  
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Hospital/Surgical/Medical Expense Expense  
Product Name: CHIP buy-in  
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2. Please provide a projection of future member counts, earned premiums and incurred claims by month for the period July 1, 2012 through June 30, 2013.

3. The rate process uses an 8.0% trend assumption. Please identify the actuarial basis for this assumption as used in the State of Delaware.

Sincerely,  
Laura Mauchly

SERFF Tracking Number: BBDE-127794427 State: Delaware  
Filing Company: Blue Cross Blue Shield of Delaware State Tracking Number: 45723  
Company Tracking Number: 111101  
TOI: HHSI Individual Health - Sub-TOI: HHSI.001 Health - Hospital/Surgical/Medical  
Hospital/Surgical/Medical Expense Expense  
Product Name: CHIP buy-in  
Project Name/Number: /

## Response Letter

Response Letter Status Submitted to State  
Response Letter Date 11/28/2011  
Submitted Date 11/28/2011

Dear Jennifer Dawson (LRF),

### Comments:

The enclosed documents and comments are in response to the Department's questions provided in Mark Golab's 11/11/11 memorandum (reflected in the SERFF 11/28 objection letter).

### Response 1

Comments: 1. The enclosure entitled "CHIP Buy-In Information.2.pdf" provides the cost assumptions and the actuarial bases for those assumptions, in the requested format. The second page of the document provides, as requested, the projected future member counts, earned premiums and incurred claims by month.

2. Page 1 of the enclosure "CHIP Buy-In Rate Comparison.pdf" summarizes its contents and notes BCBSD's new proposal that, consistent with Highmark's rating process, BCBSD's rates for families with more than three children will be the same as the rate for a three child family.

This document displays Highmark's increased CHIP Buy-In rates effective 12/1/11 for both Central and Western PA (pages 2 and 3.)

Finally, pages 4 and 5 provide support for the assumption in our filing that DE cost factors exceed the combined Western PA and Central PA cost factors.

3. This document ("CONFIDENTIAL - 4Q11 Trend Calculation.pdf") contains Confidential and Proprietary information supporting the use in this filing of an 8% trend factor, in response to item 3 of the request for additional information.

### Changed Items:

#### Supporting Document Schedule Item Changes

Satisfied -Name: CHIP Buy-In Information.2.

Comment: This document provides the costs assumptions and the actuarial bases for those assumptions, in the requested format. The second page of the document provides, as requested, the projected future member counts, earned premiums and incurred claims by month.

Satisfied -Name: CHIP Buy-In Rate Comparison

Comment: Page 1 of this document summarizes its contents and notes BCBSD's new proposal that, consistent with Highmark's rating process, BCBSD's rates for families with more than three children will be the same as the rate for a



<i>SERFF Tracking Number:</i>	<i>BBDE-127794427</i>	<i>State:</i>	<i>Delaware</i>
<i>Filing Company:</i>	<i>Blue Cross Blue Shield of Delaware</i>	<i>State Tracking Number:</i>	<i>45723</i>
<i>Company Tracking Number:</i>	<i>111101</i>		
<i>TOI:</i>	<i>H151 Individual Health - Hospital/Surgical/Medical Expense</i>	<i>Sub-TOI:</i>	<i>H151.001 Health - Hospital/Surgical/Medical Expense</i>
<i>Product Name:</i>	<i>CHIP buy-in</i>		
<i>Project Name/Number:</i>	<i>/</i>		

## Correspondence Summary

### Objection Letters and Response Letters

Objection Letters				Response Letters		
Status	Created By	Created On	Date Submitted	Responded By	Created On	Date Submitted
Pending	Laura Mauchly	11/28/2011	11/28/2011	Jonathan Neipris	11/28/2011	11/28/2011
Industry						
Response						

Blue Cross Blue Shield Of Delaware  
 CHIP Buy-in Program: Costs & Projected Membership, Premium and Incurred Claims by Month  
 Period July 1, 2012 Through June 30, 2013  
 December 1, 2011

<u>Proposed Rate with Cost Sharing (a)</u>													
	Base Period	Add Dental & Vision	Revised Total	Trend (d) 24 Months	Initial Estimate - Projection Period	Adverse Selection Adjustment (e)	Cost Estimate - Projection Period	Projected Loss Ratio	Estimated Premium - Projection Period				
Inpatient Facility Services	38.70		38.70	1.1664	45.14	1.25	56.42						
Outpatient Facility Services	34.45		34.45	1.1664	40.18	1.25	50.23						
FFS Professional Services	53.49		53.49	1.1664	62.39	1.25	77.99						
Other Benefit Cost / Capitation	31.33		31.33	1.1664	36.54	1.25	45.68						
Medical Total	157.97		157.97		184.26		230.32						
Dental and Vision	-	10.27	10.27	1.092	11.36		11.36						
Grand Total	157.97		168.24		195.62		241.68						90.0% \$ 268.53

Proposed Rate without Cost Sharing (b)

Inpatient Facility Services	41.25		41.25	1.1664	48.11	1.35	64.95						
Outpatient Facility Services	42.83		42.83	1.1664	49.96	1.35	67.44						
FFS Professional Services	69.94		69.94	1.1664	81.58	1.35	110.13						
Other Benefit Cost / Capitation	40.11		40.11	1.1664	46.78	1.35	63.16						
Medical Total	194.13		194.13		226.43		305.68						
Dental and Vision	-	12.62	12.62	1.092	13.71		13.71						
Grand Total	194.13		206.75		240.14		319.40						90.0% \$ 354.88

Notes:

- (a) Represents amount paid on a PMPM basis for our fully-insured commercial dependent members residing in Delaware age 18 and younger. The information was based on dates of service July 2010 through June 2011 paid through October 2011. Adjustments for benefit relativity have not been made to these amounts due to the wide variety of benefits offered to these customers.
- (b) Represents the allowable amount on a PMPM basis for our fully-insured commercial dependent members residing in Delaware age 18 and younger. The information was based on dates of service July 2010 through June 2011 paid through October 2011. Adjustments for benefit relativity have not been made to these amounts due to the wide variety of benefits offered to these customers.
- (c) Developed by applying a 6.5% load to medical expense.
- (d) Medical trend based on 8% per year. Dental and vision trend based on 4.5% per year. Compounded annually.
- (e) The pool is expected to experience adverse selection, reflected in the 25% load being applied. The 35% load applied for policies without member cost sharing reflects both the 25% adverse selection adjustment and a 10% adjustment for increased costs due to the absence of the cost-savings correlated with member cost sharing.

Blue Cross Blue Shield Of Delaware  
 CHIP Buy-in Program: Costs & Projected Membership, Premium and Incurred Claims by Month  
 Period July 1, 2012 Through June 30, 2013

**Rates With Cost Sharing**

Month	Members	Premium	Medical Expense	Premium PMPM	Medical Loss Ratio	Premium - New Enrollees	Premium - New Enrollees
Jul-12	250	\$ 67,133	\$ 60,419	\$ 268.53	90.0%	\$ 67,133	\$ 268.53
Aug-12	350	\$ 93,986	\$ 84,587	\$ 268.53	90.0%	\$ 26,853	\$ 268.53
Sep-12	400	\$ 107,412	\$ 96,671	\$ 268.53	90.0%	\$ 13,427	\$ 268.53
Oct-12	425	\$ 114,125	\$ 102,713	\$ 268.53	90.0%	\$ 6,713	\$ 268.53
Nov-12	450	\$ 120,839	\$ 108,755	\$ 268.53	90.0%	\$ 6,713	\$ 268.53
Dec-12	475	\$ 127,552	\$ 114,797	\$ 268.53	90.0%	\$ 6,713	\$ 268.53
Jan-13	500	\$ 134,265	\$ 120,839	\$ 268.53	90.0%	\$ 6,713	\$ 268.53
Feb-13	525	\$ 140,978	\$ 126,880	\$ 268.53	90.0%	\$ 6,713	\$ 268.53
Mar-13	550	\$ 147,692	\$ 132,922	\$ 268.53	90.0%	\$ 6,713	\$ 268.53
Apr-13	575	\$ 154,405	\$ 138,964	\$ 268.53	90.0%	\$ 6,713	\$ 268.53
May-13	600	\$ 161,118	\$ 145,006	\$ 268.53	90.0%	\$ 6,713	\$ 268.53
Jun-13	625	\$ 167,831	\$ 151,048	\$ 268.53	90.0%	\$ 6,713	\$ 268.53
<b>Twelve Months</b>	<b>5,725</b>	<b>\$ 1,537,334</b>	<b>\$ 1,383,601</b>	<b>\$ 268.53</b>	<b>90.0%</b>		

**Rates Without Cost Sharing**

Month	Members	Premium	Medical Expense	Premium PMPM	Medical Loss Ratio	Premium - New Enrollees	Premium - New Enrollees
Jul-12	250	\$ 88,720	\$ 79,848	\$ 354.88	90.0%	\$ 88,720	\$ 354.88
Aug-12	350	\$ 124,208	\$ 111,787	\$ 354.88	90.0%	\$ 35,488	\$ 354.88
Sep-12	400	\$ 141,952	\$ 127,757	\$ 354.88	90.0%	\$ 17,744	\$ 354.88
Oct-12	425	\$ 150,824	\$ 135,742	\$ 354.88	90.0%	\$ 8,872	\$ 354.88
Nov-12	450	\$ 159,696	\$ 143,726	\$ 354.88	90.0%	\$ 8,872	\$ 354.88
Dec-12	475	\$ 168,568	\$ 151,711	\$ 354.88	90.0%	\$ 8,872	\$ 354.88
Jan-13	500	\$ 177,440	\$ 159,696	\$ 354.88	90.0%	\$ 8,872	\$ 354.88
Feb-13	525	\$ 186,312	\$ 167,681	\$ 354.88	90.0%	\$ 8,872	\$ 354.88
Mar-13	550	\$ 195,184	\$ 175,666	\$ 354.88	90.0%	\$ 8,872	\$ 354.88
Apr-13	575	\$ 204,056	\$ 183,650	\$ 354.88	90.0%	\$ 8,872	\$ 354.88
May-13	600	\$ 212,928	\$ 191,635	\$ 354.88	90.0%	\$ 8,872	\$ 354.88
Jun-13	625	\$ 221,800	\$ 199,620	\$ 354.88	90.0%	\$ 8,872	\$ 354.88
<b>Twelve Months</b>	<b>5,725</b>	<b>\$ 2,031,688</b>	<b>\$ 1,828,519</b>	<b>\$ 354.88</b>	<b>90.0%</b>		

**Blue Cross Blue Shield of Delaware  
CHIP Full Buy-In Program: Effective 7/1/12  
Rate Development Process**

2011 Highmark CHIP Full Buy-In Premiums

Western Pennsylvania	\$ 209.99	Per Member Per Month
Central Pennsylvania	\$ 263.56	Per Member Per Month

Benefit Comparison: Proposed Delaware Full Buy-In CHIP with cost-sharing to Highmark CHIP Program

Differences between the proposed Delaware Full Buy-In CHIP with cost-sharing and Highmark CHIP programs are considered minor and no premium adjustment is not deemed necessary. See the attached Delaware Full Buy-In CHIP with cost-sharing Program benefit design.

These plans have copays, limitations and member cost-sharing included. To the extent those are removed, a premium increase of 25% would be required.

Future Period Rate Assumptions

Annual Trend Assumption: 8.00 percent  
Quarterly Trend Assumption: 1.94 Percent

Future Period Rate Development

Rate Development - Starting Point 2011 Rates

Western Pennsylvania	\$ 209.99	Per Member Per Month
Central Pennsylvania	\$ 263.56	Per Member Per Month
Average Rate	\$ 236.78	Per Member Per Month

Notes:

1. Used the aforementioned Average Rate as the starting point
2. Applied Quarterly Trend Rate to develop rates for future periods.
3. The rate development for the quarter beginning July 1, 2012 required applying 18 months of trend to the aforementioned Average Rate.

Twelve Month Rates for Period Effective

	Rate Per Member Per Month * <u>With Cost Sharing</u>	<u>Without Cost Sharing</u>
Calendar Quarter Beginning July 1, 2012	\$ 265.71	\$ 332.14
Calendar Quarter Beginning September 1, 2012	\$ 270.87	\$ 338.58
Calendar Quarter Beginning January 1, 2013	\$ 276.12	\$ 345.15
Calendar Quarter Beginning April 1, 2013	\$ 281.48	\$ 351.85

\* BCBSD will offer either a program with cost-sharing OR one without cost-sharing, depending on DOI approval.

Rate Calculation w/ cost-sharing		
Midpoint	Rate*	Qtr Trend
7/1/11	\$ 236.78	
10/1/11	\$ 241.37	1.0194
1/1/12	\$ 246.06	1.0194
4/1/12	\$ 250.83	1.0194
7/1/12	\$ 255.70	1.0194
10/1/12	\$ 260.66	1.0194
1/1/13	\$ 265.71	1.0194
4/1/13	\$ 270.87	1.0194
7/1/13	\$ 276.12	1.0194
10/1/13	\$ 281.48	1.0194

\* Per Member Per Month

Blue Cross Blue Shield Of Delaware  
 CHIP Buy-in Program: Projected Membership, Premium and Incurred Claims by Month  
 Period July 1, 2012 Through June 30, 2013

**Rates With Cost Sharing**

Month	Members	Premium	Medical Expense	PMPM	Medical Loss Ratio	Premium - New Enrollees	Premium - New PMPM - New Enrollees
Jul-12	250	\$ 66,428	\$ 59,785	\$ 265.71	90.0%	\$ 66,428	\$ 265.71
Aug-12	350	\$ 92,999	\$ 83,699	\$ 265.71	90.0%	\$ 26,571	\$ 265.71
Sep-12	400	\$ 106,284	\$ 95,656	\$ 265.71	90.0%	\$ 13,286	\$ 265.71
Oct-12	425	\$ 113,056	\$ 101,750	\$ 266.01	90.0%	\$ 6,772	\$ 270.87
Nov-12	450	\$ 119,828	\$ 107,845	\$ 266.28	90.0%	\$ 6,772	\$ 270.87
Dec-12	475	\$ 126,599	\$ 113,939	\$ 266.52	90.0%	\$ 6,772	\$ 270.87
Jan-13	500	\$ 133,502	\$ 120,152	\$ 267.00	90.0%	\$ 6,903	\$ 276.12
Feb-13	525	\$ 140,405	\$ 126,365	\$ 267.44	90.0%	\$ 6,903	\$ 276.12
Mar-13	550	\$ 147,308	\$ 132,577	\$ 267.83	90.0%	\$ 6,903	\$ 276.12
Apr-13	575	\$ 154,345	\$ 138,911	\$ 268.43	90.0%	\$ 7,037	\$ 281.48
May-13	600	\$ 161,382	\$ 145,244	\$ 268.97	90.0%	\$ 7,037	\$ 281.48
Jun-13	625	\$ 168,419	\$ 151,577	\$ 269.47	90.0%	\$ 7,037	\$ 281.48
<b>Twelve Months</b>	<b>5,725</b>	<b>\$ 1,530,555</b>	<b>\$ 1,377,500</b>	<b>\$ 267.35</b>	<b>90.0%</b>		

**Rates Without Cost Sharing**

Month	Members	Premium	Medical Expense	PMPM	Medical Loss Ratio	Premium - New Enrollees	Premium - New PMPM - New Enrollees
Jul-12	250	\$ 83,035	\$ 74,732	\$ 332.14	90.0%	\$ 83,035	\$ 332.14
Aug-12	350	\$ 116,249	\$ 104,624	\$ 332.14	90.0%	\$ 33,214	\$ 332.14
Sep-12	400	\$ 132,856	\$ 119,570	\$ 332.14	90.0%	\$ 16,607	\$ 332.14
Oct-12	425	\$ 141,321	\$ 127,188	\$ 332.52	90.0%	\$ 8,465	\$ 338.58
Nov-12	450	\$ 149,785	\$ 134,807	\$ 332.86	90.0%	\$ 8,465	\$ 338.58
Dec-12	475	\$ 158,250	\$ 142,425	\$ 333.16	90.0%	\$ 8,465	\$ 338.58
Jan-13	500	\$ 166,878	\$ 150,190	\$ 333.76	90.0%	\$ 8,629	\$ 345.15
Feb-13	525	\$ 175,507	\$ 157,956	\$ 334.30	90.0%	\$ 8,629	\$ 345.15
Mar-13	550	\$ 184,136	\$ 165,722	\$ 334.79	90.0%	\$ 8,629	\$ 345.15
Apr-13	575	\$ 192,932	\$ 173,639	\$ 335.53	90.0%	\$ 8,796	\$ 351.85
May-13	600	\$ 201,728	\$ 181,555	\$ 336.21	90.0%	\$ 8,796	\$ 351.85
Jun-13	625	\$ 210,525	\$ 189,472	\$ 336.84	90.0%	\$ 8,796	\$ 351.85
<b>Twelve Months</b>	<b>5,725</b>	<b>\$ 1,913,201</b>	<b>\$ 1,721,881</b>	<b>\$ 334.18</b>	<b>90.0%</b>		

**Blue Cross Blue Shield of Delaware  
CHIP Buy-in Program  
Comparison with Highmark Rates**

Highmark Rate Update

Highmark recently issued new rates for the CHIP program effective December 1, 2011. The full cost CHIP rates are as follows:

Western Region	\$230.78 - One Child (Page 2)
Central Region	\$273.32 - One Child (Page 3)

BCBSD's one child rate beginning July 1, 2012, which is seven months later than the effective date of the above rates, is between these rates.

Consistent with Highmark's rating process, BCBSD's rates for a family with three or more children will not exceed the three child rate.

Area Factor Comparison

An analysis performed by our consulting actuary indicates Delaware costs exceed those of the combined Western and Central Pennsylvania regions. This information is provided on pages 4 and 5.



# Children's Health Insurance Program (CHIP)

## Cost of coverage

Free CHIP does not cost anything. Low-Cost and Full Cost CHIP require a monthly premium and some copayments (see below). Highmark Blue Cross Blue Shield subsidizes the monthly premiums for Low-Cost and Full Cost CHIP to make the programs more affordable. Additionally, Highmark Blue Cross Blue Shield holds the monthly rate at three children in a household, even if there are more than three children enrolled from the household.



Pennsylvania's Children's Health Insurance Program  
**We Cover All Kids.**

Rates listed effective 12/01/2011

Program	One Child*	Two Children	Three or more children
Free CHIP	No cost	No cost	No cost
Low-Cost CHIP 1	\$51.17	\$102.34	\$153.51
Low-Cost CHIP 2	\$71.63	\$143.26	\$214.89
Low-Cost CHIP 3	\$81.87	\$163.74	\$245.61
Full Cost CHIP	\$230.78	\$461.56	\$692.34

Copayments are required for Low-Cost and Full Cost CHIP only. PCP Office Visits, Specialist Office Visits, Emergency Room Visits, and Drugs require copayments.

## Copayments for visits and prescription drugs

Program	PCP	Specialist	Emergency	Brand name drug	Generic drug
Free CHIP	No cost	No cost	No cost	No cost	No cost
Low-Cost CHIP 1, 2, and 3	\$5*	\$10	\$25*	\$9	\$6
Full Cost CHIP	\$15	**\$25	\$50*	\$18	\$10

\* No copay required for well-child visits for Low-Cost CHIP. Emergency Room copay is waived if the child is admitted.

\*\*\$25 copay for mental health outpatient visits for Full Cost CHIP ONLY

You can get details on CHIP coverage for children and teens by calling 1-800-543-7105. (TTY for Hearing Impaired: 1-877-323-8480).

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# Children's Health Insurance Program (CHIP)

## Cost of coverage

Free CHIP does not cost anything. Low-Cost and Full Cost CHIP require a monthly premium and some copayments (see below). Highmark Blue Shield subsidizes the monthly premiums for Low-Cost and Full Cost CHIP to make the programs more affordable. Additionally, Highmark Blue Shield holds the monthly rate at three children in a household, even if there are more than three children enrolled from the household.



Pennsylvania's Children's Health Insurance Program  
**We Cover All Kids.**

Rates listed effective 12/01/2011

Program	One Child*	Two Children	Three or more children
Free CHIP	No cost	No cost	No cost
Low-Cost CHIP 1	\$54.69	\$109.38	\$164.07
Low-Cost CHIP 2	\$76.57	\$153.14	\$229.71
Low-Cost CHIP 3	\$87.51	\$175.02	\$262.53
Full Cost CHIP	\$273.32	\$546.64	\$819.96

Copayments are required for Low-Cost and Full Cost CHIP only. PCP Office Visits, Specialist Office Visits, Emergency Room Visits, and Drugs require copayments.

### Copayments for visits and prescription drugs

Program	PCP	Specialist	Emergency	Brand name drug	Generic drug
Free CHIP	No cost	No cost	No cost	No cost	No cost
Low-Cost CHIP 1, 2, and 3	\$5*	\$10	\$25*	\$9	\$6
Full Cost CHIP	\$15	**\$25	\$50*	\$18	\$10

\* No copay required for well-child visits for Low-Cost CHIP. Emergency Room copay is waived if the child is admitted.

\*\*\$25 copay for mental health outpatient visits for Full Cost CHIP ONLY

You can get details on CHIP coverage for children and teens by calling 1-866-727-5437. (TTY for Hearing Impaired: 1-866-727-4938).

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## ANALYSIS OF AREA FACTORS FOR CHIP PROGRAM

We pulled out Milliman area factors for DE vs. PA (western and central only). This data is not complete for all areas of western and central PA, but it should give a good indication of the relative area costs.

In metro areas (MSA=Metropolitan Statistical Area), using Milliman data, the average of western and central produces a factor of .93, while Dover and Wilmington MSA factors are 1.00. This says we should have adjusted rates upward 7% to 8% for area cost differences. In rural areas, DE is also higher than PA (.87 vs. .84).

### Conclusions:

- Delaware MSA area factors (1.00) are higher than the average of central and western Pennsylvania MSA area factors (.93).
- Delaware non-MSA factor (.87) is higher than Pennsylvania non-MSA factor (.84).
- Using average of Highmark rates for central and western Pennsylvania ignores the impact of higher Delaware area costs.

MILLIMAN AREA FACTORS FOR PENNSYLVANIA VERSUS DELAWARE

PENNSYLVANIA

City	County	City/MSA Factor	West or Central	(000) County Population
Allentown	Lehigh	1.06	Central	349
Erie	Erie	0.97	West	281
Harrisburg	Dauphin	0.89	Central	268
Lancaster	Lancaster	0.83	Central	519
Lebanon	Lebanon	0.85	Central	134
Pittsburgh	Allegheny	1.02	West	1,223
Reading	Berks	0.83	Central	411
York	York	0.70	Central	435
Non-MSA:		0.84		
		<b>Weighted Factor</b>		<b>(000) Population</b>
West:		1.01		1,504
Central :		0.85		2,116
Ave MSA:		0.93		
Non-MSA:		0.84		

DELAWARE

City	City/MSA Factor
Dover	1.00
Wilmington	1.00
Non-MSA	0.87

### Summary of CHIP full buy-in benefits

BCBSD's IPA plan is an HMO product that requires selection of a PCP. Except for emergencies, all covered services must be received from a BCBSD network provider. Certain services, as noted below, require prior authorization by BCBSD and may be denied payment if authorization is not provided. Coverage amount is based on the BCBSD allowable charge for services; charges in excess of the BCBSD allowable amount may be billed to the patient when you see a non-network provider.

BENEFIT	COVERAGE LEVEL
Benefit Period	Calendar Year
Deductible	None
Primary Care Physician Office Visits	\$15 copay per visit
Specialist Office Visits	\$25 copay per visit
Preventive Care (follows BCBSD's preventive schedule)	100%
Emergency Room Services	\$50 copay (waived if admitted)
Chiropractic Care (Spinal Manipulations)	\$15 copay per visit (Note1)*
Physical Therapy & Occupational Therapy	100% (limited to 30 visits/benefit period combined)*
Speech Therapy	100% (limited to 30 visits/benefit period)*
Allergy Extracts and Injections	100%
Ambulance	100%
Assisted Fertilization Procedures	Not Covered
<b>Dental Services</b>	
Diagnostic & Preventive Care (x-rays, cleanings, topical fluoride)	100%
Basic Care (fillings)	80%
Major Restorative Care (oral surgery, root canals, periodontics, crowns, bridges, dentures)	60%
Orthodontics	45% coverage limited to diagnosed conditions considered to be handicapping malocclusions
Dental Services Related to Accidental Injury (and correction to a non-dental physiologic condition which resulted in severe function impairment, and treatment of tumors and cysts, or extraction of impacted third molars when totally covered by bone.)	100%*
Diabetes Treatment	100%
Diagnostic Services (including routine)	
Advanced Imaging (MRI, CAT Scan, PETscan, etc.)	100%*
Basic Diagnostic Services (standard imaging, diagnostic medical, lab/pathology, allergy testing)	100%
Durable Medical Equipment, Orthotics and Prosthetics	100%*
Family Planning	100% for contraceptives, devices, and counseling
Hearing Devices and Exams	Limits: One audiometric exam and one hearing aid evaluation test per benefit period. Hearing aids limited to one hearing aid per two calendar years and \$3,000 maximum on hearing aids every 24 consecutive months
Home Infusion Therapy	100%*
Home Health Care	100%* Limited to 60 visits per benefit period
Hospice	100% limited to \$7,500 per lifetime*

Hospital Services – Inpatient	100%* Limited to 90 days/benefit period combined limit with Mental Health and Skilled Nursing Facility (Admissions primarily for Physical Medicine, Speech Therapy, and/or Occupational Therapy Services are limited to a combined total of sixty (60) calendar days, per course of treatment, for the same condition, beginning on the date of the rehabilitation admission)
Hospital Services – Outpatient	100%
Infertility Counseling, Testing and Treatment	Not Covered
Lab Services – Outpatient	100% at BCBSD preferred lab; \$10 copay at other network lab locations
Maternity (facility and professional services)	100%
Medical/Surgical Expenses	100%
Mental Health – Inpatient	100%* Limit: 90 days/benefit period combined with Inpatient Hospital and Skilled Nursing Facility. May be exchanged 1:2 to secure additional outpatient visits
Mental Health – Outpatient	\$25 copay Limit: 30 visits/benefit period
Newborn Care	100% Limit: first 31 days following birth (then the mother must apply for Medicaid)
Oral Surgery	100% Coverage includes surgery for accidents and/or injuries, impacted molars, etc.
Pediatric Extended Care	100%* Limit: 100 days per benefit period for children eight (8) years and younger
Private Duty Nursing	Not Covered (unless medically necessary and appropriate)
Skilled Nursing Facility Care	100%* Limit: 30 days/benefit period
Substance Abuse – Inpatient Rehabilitation	100%* Limit: 30 days/benefit period
Substance Abuse – Outpatient	100% Limit: 20 visits/benefit period.
Therapy Services (Cardiac Rehab, Infusion Therapy, Respiratory, Chemotherapy, Radiation Therapy and Dialysis)	100%
Transplant Services	100%*
Vision Exams	\$15 copay Limit: 1 exam/benefit period
Vision Hardware (lenses, frames)	One pair of eyeglasses or contact lenses per benefit period / \$100 maximum per benefit period
Prescription Drug Coverage (31 day supply)	Generic: \$8 copay Formulary Brand: \$15 copay Non-Formulary Brand: \$25 copay

\* Requires prior authorization by BCBSD.

Blue Cross Blue Shield of Delaware  
 CHIP Full Buy-In Program: Effective 7/1/12  
 Rate Development Process

2011 Highmark CHIP Full Buy-In Premiums

Western Pennsylvania	\$ 209.99	Per Member Per Month
Central Pennsylvania	\$ 263.56	Per Member Per Month

Benefit Comparison: Proposed Delaware Full Buy-In CHIP with cost-sharing to Highmark CHIP Program

Differences between the proposed Delaware Full Buy-In CHIP with cost-sharing and Highmark CHIP programs are considered minor and no premium adjustment is not deemed necessary. See the attached Delaware Full Buy-In CHIP with cost-sharing Program benefit design.

These plans have copays, limitations and member cost-sharing included. To the extent those are removed, a premium increase of 25% would be required.

Future Period Rate Assumptions

Annual Trend Assumption: 8.00 percent  
 Quarterly Trend Assumption: 1.94 Percent

Future Period Rate Development

Rate Development - Starting Point 2011 Rates

Western Pennsylvania	\$ 209.99	Per Member Per Month
Central Pennsylvania	\$ 263.56	Per Member Per Month
Average Rate	\$ 236.78	Per Member Per Month

Notes:

1. Used the aforementioned Average Rate as the starting point
2. Applied Quarterly Trend Rate to develop rates for future periods.
3. The rate development for the quarter beginning July 1, 2012 required applying 18 months of trend to the aforementioned Average Rate.

Twelve Month Rates for Period Effective

	<u>Rate Per Member Per Month *</u>	<u>Without Cost Sharing</u>	<u>With Cost Sharing</u>
Calendar Quarter Beginning July 1, 2012	\$ 265.71	\$ 332.14	\$ 265.71
Calendar Quarter Beginning September 1, 2012	\$ 270.87	\$ 338.58	\$ 270.87
Calendar Quarter Beginning January 1, 2013	\$ 276.12	\$ 345.15	\$ 276.12
Calendar Quarter Beginning April 1, 2013	\$ 281.48	\$ 351.85	\$ 281.48

\* BCBSD will offer either a program with cost-sharing OR one without cost-sharing, depending on DOI approval.

Rate Calculation w/ cost-sharing		
Midpoint	Rate*	Qtr Trend
7/1/11	\$ 236.78	
10/1/11	\$ 241.37	1.0194
1/1/12	\$ 246.06	1.0194
4/1/12	\$ 250.83	1.0194
7/1/12	\$ 255.70	1.0194
10/1/12	\$ 260.66	1.0194
1/1/13	\$ 265.71	1.0194
4/1/13	\$ 270.87	1.0194
7/1/13	\$ 276.12	1.0194
10/1/13	\$ 281.48	1.0194
* Per Member Per Month		