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TO: Linda Nemes
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Delaware Insurance Department

FROM: Mark Golab, FSA, MAAA
INS Consultants, Inc.

DATE: December 2, 2011

SUBJECT: Blue Cross Blue Shield of Delaware
Individual Medical Rate Filing
CHIP Buy-in Program
Delaware Tracking No.: 45723

Blue Cross Blue Shield of Delaware (BCBSD) has filed for approval of a premium rate schedule designed to be used with the subject CHIP Buy-in Program. Specifically, BCBSD has filed the following rates for the subject program:

Twelve Month Rates for Period Effective	Rate Per Member Per Month	
	With Cost Sharing	Without Cost Sharing
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

Regarding these rates, BCBSD has indicated that it "will offer either a program with cost sharing or one without cost sharing, depending on the Delaware Insurance Department approval".

In the filing, BCBSD has included an Excel spreadsheet pertaining to their rate development process, a summary of the CHIP full buy-in benefits, an actuarial memorandum and a statement of actuarial opinion.

After a review of the information submitted in the filing, INS requested on November 11, 2011 additional information and /or clarification regarding the content of the filing. On November 28, 2011 and December 2 2011, BCBSD responded to the INS request. In the December 2, 2011 response, BCBSD provided supporting justification for rates that differed from those indicated above. Specifically, BCBSD developed PMPM rates of $268.53 and $354.88 for the calendar quarter beginning January 1, 2013 for the "program with cost sharing" and the "program without cost sharing", respectively. BCBSD has stated that the initially filed rates have been superseded by the rates indicated in the aforementioned Company's response.

Additionally, a question has arisen as to whether the filed rates are consistent with newly enacted SB56 (18Del.C Section 6310). For our analysis, INS has not attempted to interpret the legislative intent of SB 56 and therefore, INS has concluded that this aspect of the filing is beyond the scope of our analysis.

INS has reviewed the submission in its entirety. Based on our analysis of the actuarial memorandum, the assumptions described therein as provided in the Company's responses of November 28 and December 2, and the applicable rate schedules, INS has concluded that the actuarial assumptions relating to the component claim costs, forward medical trend rate and adverse selection factors appear reasonable.

Regarding the component claim costs for the cost sharing benefit structure, the Company has developed such claim cost on the amounts paid, during the period July 2010 through June 2011, on a PMPM basis for fully insured commercial dependent members age 18 and younger residing in Delaware. Regarding component claim costs for the non-cost sharing benefit structure, the Company has developed such claim cost on the allowable amounts of claim, during the period July 2010 through June 2011, on a PMPM basis for fully insured commercial dependent members age 18 and younger residing in Delaware. INS has concluded that the Company's actuarial basis for such claim costs development appears reasonable.

Regarding the forward medical trend rate, the Company has provided the trend analysis associated with the 8% medical trend assumption underlying the projection of claim cost to the calendar quarter beginning January 2013. Based on our review of the Company's trend analysis, INS has concluded that the Company's 8% trend assumption appears reasonable.

Regarding the adverse selection factors, the Company has reflected adverse selection factors of 25% and 35% for the cost sharing benefit structure and the non-cost sharing benefit structure, respectively. INS has concluded that these factors represent best estimates as to the potential increased cost of the CHIP risk pool structure.

Finally, the Company has predicated their calculation of the gross premium on a 90% loss ratio. The Company has indicated that pricing provisions of 12% to 13% of premium are required to cover administrative costs and risk/profit margin for other medical business. Consequently, INS suggests that the expected loss ratio of 90% translates to a probable insufficiency, given the same administrative and risk margin objectives. However, the Company has indicated that this level of premium inadequacy reflects a contribution which, by proceeding with this filing, they appear to welcome.

In conclusion, INS suggests that, within the scope of its analysis, the rate making process for the subject program complies with Paragraph 2503 of Chapter 25 of Tile 18. Therefore, INS suggests that the PMPM rates of $268.53 and $354.88 for the calendar quarter beginning January 1, 2013 for the" program with cost sharing" and the "program without cost sharing", respectively are actuarially justified.

If you have any questions or would like additional information, please do not hesitate to call or e-mail.

Mark Golab, FSA, MAAA