

## Questions and Answers — BCN rates and refunds

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September 27, 2011

### Refunds

- **What groups are receiving money back and why?**
  - Approximately 5,200 BCN active groups in the small group segment of 50 employees and fewer are receiving the return because data show these groups have experienced a lower-than-expected use of medical services, which has reduced their costs.
- **Why is the refund just to BCN groups? What about others with BCN or BCBSM coverage?**
  - Only employer groups in the BCN small-group segment, those with 50 or fewer employees, have medical costs below what was projected. Other segments are in line with projections.
- **How is the amount to each group determined?**
  - Each group will receive a percentage of the premium billed between January and June 2011. BCN doubled it to determine the estimated annual premiums. The percentage is 2.5 percent.
- **Where are the BCN groups receiving the refund located?**
  - The groups are located throughout Michigan.
- **What about large groups and people with individual coverage, why don't they receive money back?**
  - Small groups experienced use below projections. Large groups and individual members use is in line with projections at this time. However, the average rate renewals for small and large groups with BCN coverage are expected to be the lowest in the past four years.
- **Why didn't my group or business receive a refund?**
  - Only groups in the small group segment, those with 50 or fewer employees, received the refund. If you believe your group should be classified as a small group, BCN will take the information about your group to be sure they have your group categorized correctly. BCN will evaluate the information. BCN will give you a response as soon as possible.

- **Why are you giving these groups a refund but still increasing their rates, even if the average rate increases are lower? Why don't you just leave these rates the same?**
  - The refund is based on cost and use of health care services to date for 2011. The rate increases are for 2012 and look forward rather than in the past. The rate increases are based on the projections for cost and use of health care services for 2012. There are multiple factors that go in to determining future rates. We believe that, while increases will be lower, there's still a need to adjust premiums.
- **Does this refund apply to self-funded groups?**
  - No, self-funded groups aren't included in this initiative because they don't pay premiums.
- **Will this affect agent commission?**
  - No, this doesn't affect agent commissions.

## Rates

- **What was the most recent rate increase for BCN small groups?**
  - In 2011, the average rate increase was 9.9 percent.
  - First-quarter rate renewals for BCN groups will average 6.7 percent for 1Q 2012. This is the lowest rate increase since 2008.
- **What were the factors that influenced the lower rate increases?**
  - Our products and wellness programs that encourage healthier lifestyles, and our emphasis on preventive care are all contributing to lower use of medical services in 2011 and lower rate increases for first quarter of 2012.
- **You said these average rate increases were the lowest in four years. What are the increases for 2008, 2009 and 2010?**
  - The average rates increases for the past five years have been 8.7 percent. The rate increases since 2008 were:
    - 2008 – 6.5 percent
    - 2009 – 8.3 percent
    - 2010 – 10.9 percent
    - 2011 – 9.9 percent
- **Which BCN groups are included in this rate increase?**
  - All BCN groups of all sizes are included in the increase.
- **Does this rate increase include all BCN products offered to small groups?**
  - Yes. The rate increase applies to all products for all groups.
- **Does this signal that rates will be lower in second-quarter as well?**
  - Typically first-quarter rates are a strong indicator of lower rate increases for the next quarter.