

# Special Edition



## BluesMarketplace

September 28, 2011

### **Blues' efforts to hold down costs paying off for many BCN groups**

Blue Care Network is bringing a double dose of good news for all of our stakeholders.

By addressing the drivers of health insurance costs through innovation, making a commitment to quality and maintaining strong relationships with providers, we're seeing medical costs that are lower than projected for small business in Michigan.

The result is a return on their premiums for groups with 50 or fewer employees in the form of a check.

At the same time, we're factoring in the reduced medical costs to our rates for next year. At BCN, we expect our average statewide premium increases to be the lowest they've been in four years.

#### **Premium return program**

About 5,200 BCN groups with 50 or fewer employees will receive [letters](#) (PDF) and checks this week notifying them of a 2.5-percent return of their 2011 billed premiums.

'The Blues work every day to provide quality health care coverage while balancing costs. We provide products that encourage healthy behaviors, programs that promote preventive care and wellness, and networks of high quality doctors and hospitals. This approach is working and translates into lower costs for Michigan businesses.'

-Kevin Klobucar

**BCN president and CEO**

Our data shows that these groups have experienced a lower-than-expected use of medical services in 2011, which has reduced their costs.

We've prepared a [Q&A](#) (PDF) on the premium return to help you fully understand it and answer questions from your

clients.

### Rate impact

The overall statewide average rate increase for the BCN small and large group for first quarter 2012 is 6.7 percent.

That's our lowest average statewide rate increases for Michigan employers since 2008, the result of the products and programs we've put into place in recent years. That low statewide average enables us to factor in the reduced medical costs to our rates for next year.

Here are the statewide average rate increases since 2009:

Year	Statewide increase
2009	8.3%
2010	10.9%
2011	9.9%
1Q 2012	6.7%

### 1Q 2012 trend

Blue Care Network is projecting trends to increase by 9.9 percent across 2012, about the same as the trend in fourth quarter 2011. That stability is, in some part, the result of our efforts to control costs and bring to market lower-cost plans.

Utilization experience and expected trends are the statistical components we use to calculate rate increases.

The trend increase is driven by these factors:

- Medical trends – 9.9 percent
- Pharmacy trends – 10.2 percent

The pharmacy trend is being driven, in large part, by spiking specialty drug costs, upcoming patent expirations and new treatments and therapies.

### Age, gender factors

BCN used data on claims experience to update age and gender factors as well as age-only factors to reflect more recent experience.

### BCN – caps and floors

BCN also updated the rating caps and floors for all group sizes to keep rate increases within a predictable range and provide some cushion from any severe spikes.

Here's a chart that illustrates caps and floors for BCN 2012 rate increases:

### Renewal rate increase guidelines Effective Jan. 1, 2012

If a group has this many enrolled contracts...	Its calculated increase is...	Apply this cap...	Its final renewal increase is...
1	Less than 3.9%	Cap @ 4%	4%
	4% to 16.9%	0%	4% to 16.9%
	16.9% to 20.9%	Cap @ 16.9%	16.9%
	20.9% to 25%	Cap @ 20.9%	20.9%
	25+%	Cap @ 24.9%	24.9%
If a group has this many enrolled contracts...	Its calculated increase is...	Apply this cap...	Its final renewal increase is...
2 to 4	Less than -5%	Cap @ 0%	0%
	-5% to 3.9%	Cap @ 4%	4%

	4% to 13.9%	0%	4% to 13.9%
	13.9% to 19.9%	Cap @ 13.9%	13.9%
	19.9% to 25%	Cap @ 17.9%	17.9%
	25+%	Cap @ 21.9%	21.9%
<b>If a group has this many enrolled contracts...</b>	<b>Its calculated increase is...</b>	<b>Apply this cap...</b>	<b>Its final renewal increase is...</b>
5 or more	Less than -5%	Cap @ 0%	0%
	-5% to 3.9%	Cap @ 4%	4%
	4% to 11.9%	0%	4% to 11.9%
	11.9% to 19.9%	Cap @ 11.9%	11.9%
	19.9% to 25%	Cap @ 15.9%	15.9%
	25+%	Cap @ 19.9%	19.9%

