

## Narrative Summary

### Community Rated Medical Rate Filings for BlueCross BlueShield of Western New York – 2012

On July 21, 2011 BlueCross BlueShield of Western New York submitted a prior approval rate adjustment to the New York State Department of Insurance.

This rate change request will affect all small group, large group, and sole proprietor commercial community rated groups and subscribers renewing in 2012. The rate change will be effective upon renewal date within 2012 for all commercial community rated. The rates vary by 2012 calendar year quarter in which the group renews. The rates are guaranteed for the 12 month period starting at the renewal date. Commercial community rated includes all HMO (100 series and 200 series), POS (150D and 250D), EPO (Sky), PPO 800 series, High Deductible (7000 series and POS / PPO Denim), Indemnity 900 series products, and Dental.

The rate change will also affect all Healthy New York, direct pay HMO / POS, and direct pay indemnity groups and subscribers. The rate change will be effective 1/1/2012 for all groups and subscribers in the Healthy New York and direct pay products. The rates are applicable until a subsequent rate change is requested and implemented.

The approximate total number of members affected by the rate change based on current membership is 75,000.

A rate adjustment is occurring to reflect actual claims costs for BlueCross BlueShield and how claims are anticipated to trend into the rate period. Trend in claim costs consists of 3 primary factors:

1. Unit Cost – Annually BlueCross BlueShield has to re-negotiate reimbursements with medical providers. Rates must be adjusted in response to the level of reimbursement that is agreed upon with each provider.
2. Utilization – The number of services that individuals utilize each year also changes. In addition, the types and mix of services that are utilized changes based on new technologies and developments. Rates must be adjusted to account for this change in utilization.
3. Member Demographic – The changing age and gender mix of the members that are covered by HealthNow is also considered. The rates must be changed to reflect these changing characteristics of the insured members.

The following table summarizes the combined change in claims cost for 2012 attributed to change in unit cost and utilization. The trends for inpatient hospital, outpatient facility, and physician (medical) are explicitly displayed and then totaled. The pharmacy trend is also shown.

**2012 Unit Cost and Utilization Projected Changes by Region and Major Service Type:**

<b>Buffalo 2012</b>	
Inpatient	9.9%
Outpatient	9.2%
Medical	7.4%
<b>Total</b>	<b>8.4%</b>
<b>Pharmacy</b>	<b>8.9%</b>

In addition to the unit cost and utilization changes, the projected annual change in cost due to change in population characteristics associated with age and gender is 1.8% in Buffalo.

When setting rates, BlueCross BlueShield looks at prior period claims experience relative to the premium rates at that time. Depending on the performance of the product, a rate change may be more or less than the effect of trend and demographic.

The remaining pages show the range of rate changes requested by region, product, and group size in the rate filing. The range is dependent upon anniversary date which is identified at the top of each page.

Sincerely,



Gerald Klopfer, ASA, MAAA  
Chief Actuary, Actuarial Services  
BlueCross BlueShield of Western New York

**Commercial Community Rated First Quarter 2012 Renewals: These adjustments will affect large group policy holders with anniversary dates in January, February, and March of 2012.**

Buffalo – Large Group

- The Aqua base medical plan is changing 14.5% to 19.5% for single, 2 person, and employee/children contracts
- The Aqua base medical plan is changing 6.0% to 13.0% for all family contracts
- The HMO 100 base medical plan is changing -4.0% to 1.0% for single, 2 person, and employee/children contracts
- The HMO 100 base medical plan is changing -11.0% to -4.0% for all family contracts
- The HMO 200 base medical plan is changing 0.0% to 5.0% for single, 2 person, and employee/children contracts
- The HMO 200 base medical plan is changing -7.0% to 0.0% for all family contracts
- The POS 7000-series base medical plan is changing 11.5% to 16.5% for single, 2 person, and employee/children contracts
- The POS 7000-series base medical plan is changing 3.0% to 10.0% for all family contracts
- The PPO 7000-series base medical plan is changing 11.5% to 16.5% for single, 2 person, and employee/children contracts
- The PPO 7000-series base medical plan is changing 3.0% to 10.0% for all family contracts
- The POS 250D base medical plan is changing 14.0% to 19.0% for single, 2 person, and employee/children contracts
- The POS 250D base medical plan is changing 5.0% to 12.0% for all family contracts
- The PPO base medical plan is changing 14.5% to 19.5% for single, 2 person, and employee/children contracts
- The PPO base medical plan is changing 6.5% to 13.5% for all family contracts
- The Traditional Indemnity base medical plan is changing -7.5% to -2.5% for all contract types

**Commercial Community Rated First Quarter 2012 Renewals: These adjustments will affect small group policy holders with anniversary dates in January, February, and March of 2012.**

Buffalo – Small Group

- The Aqua base medical plan is changing 14.5% to 19.5% for single, 2 person, and employee/children contracts
- The Aqua base medical plan is changing 6.0% to 13.0% for all family contracts
- The HMO 100 base medical plan is changing 14.5% to 19.5% for single, 2 person, and employee/children contracts
- The HMO 100 base medical plan is changing 6.0% to 13.0% for all family contracts
- The HMO 200 base medical plan is changing 10.0% to 15.0% for single, 2 person, and employee/children contracts
- The HMO 200 base medical plan is changing 0.0% to 7.0% for all family contracts
- The POS 7000-series base medical plan is changing 11.5% to 16.5% for single, 2 person, and employee/children contracts
- The POS 7000-series base medical plan is changing 3.0% to 10.0% for all family contracts
- The PPO 7000-series base medical plan is changing 11.5% to 16.5% for single, 2 person, and employee/children contracts
- The PPO 7000-series base medical plan is changing 3.0% to 10.0% for all family contracts
- The POS 250D base medical plan is changing 14.0% to 19.0% for single, 2 person, and employee/children contracts
- The POS 250D base medical plan is changing 5.0% to 12.0% for all family contracts
- The PPO base medical plan is changing 14.5% to 19.5% for single, 2 person, and employee/children contracts
- The PPO base medical plan is changing 6.5% to 13.5% for all family contracts
- The Traditional Indemnity base medical plan is changing 14.0% to 19.0% for all contract types

**Commercial Community Rated Second Quarter 2012 Renewals: These adjustments will affect large group policy holders with anniversary dates in April, May, and June of 2012.**

Buffalo – Large Group

- The Aqua base medical plan is changing 12.0% to 17.0% for single, 2 person, and employee/children contracts
- The Aqua base medical plan is changing 3.0% to 10.0% for all family contracts
- The HMO 100 base medical plan is changing -6.0% to -1.0% for single, 2 person, and employee/children contracts
- The HMO 100 base medical plan is changing -14.0% to -7.0% for all family contracts
- The HMO 200 base medical plan is changing -1.0% to 4.0% for single, 2 person, and employee/children contracts
- The HMO 200 base medical plan is changing -8.0% to -1.0% for all family contracts
- The POS 7000-series base medical plan is changing 11.5% to 16.5% for single, 2 person, and employee/children contracts
- The POS 7000-series base medical plan is changing 2.0% to 9.0% for all family contracts
- The PPO 7000-series base medical plan is changing 11.5% to 16.5% for single, 2 person, and employee/children contracts
- The PPO 7000-series base medical plan is changing 2.0% to 9.0% for all family contracts
- The POS 250D base medical plan is changing 11.0% to 16.0% for single, 2 person, and employee/children contracts
- The POS 250D base medical plan is changing 2.0% to 9.0% for all family contracts
- The PPO base medical plan is changing 8.5% to 13.5% for single, 2 person, and employee/children contracts
- The PPO base medical plan is changing -1.0% to 6.0% for all family contracts
- The Traditional Indemnity base medical plan is changing -3.0% to -8.0% for all contract types

**Commercial Community Rated Second Quarter 2012 Renewals: These adjustments will affect small group policy holders with anniversary dates in April, May, and June of 2012.**

Buffalo – Small Group

- The Aqua base medical plan is changing 12.0% to 17.0% for single, 2 person, and employee/children contracts
- The Aqua base medical plan is changing 3.0% to 10.0% for all family contracts
- The HMO 100 base medical plan is changing 14.0% to 19.0% for single, 2 person, and employee/children contracts
- The HMO 100 base medical plan is changing 3.0% to 10.0% for all family contracts
- The HMO 200 base medical plan is changing 8.0% to 13.0% for single, 2 person, and employee/children contracts
- The HMO 200 base medical plan is changing -2.0% to 5.0% for all family contracts
- The POS 7000-series base medical plan is changing 11.5% to 16.5% for single, 2 person, and employee/children contracts
- The POS 7000-series base medical plan is changing 2.0% to 9.0% for all family contracts
- The PPO 7000-series base medical plan is changing 11.5% to 16.5% for single, 2 person, and employee/children contracts
- The PPO 7000-series base medical plan is changing 2.0% to 9.0% for all family contracts
- The POS 250D base medical plan is changing 11.0% to 16.0% for single, 2 person, and employee/children contracts
- The POS 250D base medical plan is changing 2.0% to 9.0% for all family contracts
- The PPO base medical plan is changing 8.5% to 13.5% for single, 2 person, and employee/children contracts
- The PPO base medical plan is changing -1.0% to 6.0% for all family contracts
- The Traditional Indemnity base medical plan is changing 14.0% to 19.0% for all contract types

**Commercial Community Rated Third Quarter 2012 Renewals: These adjustments will affect large group policy holders with anniversary dates in July, August, and September of 2012.**

Buffalo – Large Group

- The Aqua base medical plan is changing 14.9% to 19.9% for single, 2 person, and employee/children contracts
- The Aqua base medical plan is changing 10.0% to 17.0% for all family contracts
- The HMO 100 base medical plan is changing -4.0% to 1.0% for single, 2 person, and employee/children contracts
- The HMO 100 base medical plan is changing -11.5% to -4.5% for all family contracts
- The HMO 200 base medical plan is changing -12.0% to -7.0% for single, 2 person, and employee/children contracts
- The HMO 200 base medical plan is changing -21.0% to -14.0% for all family contracts
- The POS 7000-series base medical plan is changing 7.0% to 12.0% for single, 2 person, and employee/children contracts
- The POS 7000-series base medical plan is changing 0.0% to 7.0% for all family contracts
- The PPO 7000-series base medical plan is changing 7.0% to 12.0% for single, 2 person, and employee/children contracts
- The PPO 7000-series base medical plan is changing 0.0% to 7.0% for all family contracts
- The POS 250D base medical plan is changing 4.0% to 9.0% for single, 2 person, and employee/children contracts
- The POS 250D base medical plan is changing -5.0% to 2.0% for all family contracts
- The PPO base medical plan is changing 1.5% to 6.5% for single, 2 person, and employee/children contracts
- The PPO base medical plan is changing -8.0% to -1.0% for all family contracts
- The Traditional Indemnity base medical plan is changing 6.0% to 13.0% for all contract types

**Commercial Community Rated Third Quarter 2012 Renewals: These adjustments will affect small group policy holders with anniversary dates in July, August, and September of 2012.**

Buffalo – Small Group

- The Aqua base medical plan is changing 14.9% to 19.9% for single, 2 person, and employee/children contracts
- The Aqua base medical plan is changing 10.0% to 17.0% for all family contracts
- The HMO 100 base medical plan is changing 6.5% to 11.5% for single, 2 person, and employee/children contracts
- The HMO 100 base medical plan is changing -3.0% to 4.0% for all family contracts
- The HMO 200 base medical plan is changing 2.5% to 7.5% for single, 2 person, and employee/children contracts
- The HMO 200 base medical plan is changing -6.0% to 1.0% for all family contracts
- The POS 7000-series base medical plan is changing 7.0% to 12.0% for single, 2 person, and employee/children contracts
- The POS 7000-series base medical plan is changing 0.0% to 7.0% for all family contracts
- The PPO 7000-series base medical plan is changing 7.0% to 12.0% for single, 2 person, and employee/children contracts
- The PPO 7000-series base medical plan is changing 0.0% to 7.0% for all family contracts
- The POS 250D base medical plan is changing 4.0% to 9.0% for single, 2 person, and employee/children contracts
- The POS 250D base medical plan is changing -5.0% to 2.0% for all family contracts
- The PPO base medical plan is changing 1.5% to 6.5% for single, 2 person, and employee/children contracts
- The PPO base medical plan is changing -8.0% to -1.0% for all family contracts
- The Traditional Indemnity base medical plan is changing 11.0% to 16.5% for all contract types

**Commercial Community Rated Fourth Quarter 2012 Renewals: These adjustments will affect large group policy holders with anniversary dates in October, November, and December of 2012.**

Buffalo – Large Group

- The Aqua base medical plan is changing 14.5% to 19.5% for single, 2 person, and employee/children contracts
- The Aqua base medical plan is changing 5.0% to 12.0% for all family contracts
- The HMO 100 base medical plan is changing -5.0% to 0.0% for single, 2 person, and employee/children contracts
- The HMO 100 base medical plan is changing -12.0% to -5.0% for all family contracts
- The HMO 200 base medical plan is changing -12.0% to -7.0% for single, 2 person, and employee/children contracts
- The HMO 200 base medical plan is changing -22.0% to -15.0% for all family contracts
- The POS 7000-series base medical plan is changing 7.0% to 12.0% for single, 2 person, and employee/children contracts
- The POS 7000-series base medical plan is changing 0.0% to 7.0% for all family contracts
- The PPO 7000-series base medical plan is changing 7.0% to 12.0% for single, 2 person, and employee/children contracts
- The PPO 7000-series base medical plan is changing 0.0% to 7.0% for all family contracts
- The POS 250D base medical plan is changing 4.0% to 9.0% for single, 2 person, and employee/children contracts
- The POS 250D base medical plan is changing -8.0% to -1.0% for all family contracts
- The PPO base medical plan is changing 3.5% to 8.5% for single, 2 person, and employee/children contracts
- The PPO base medical plan is changing -5.0% to 2.0% for all family contracts
- The Traditional Indemnity base medical plan is changing 7.0% to 12.0% for all contract types

**Commercial Community Rated Fourth Quarter 2012 Renewals: These adjustments will affect small group policy holders with anniversary dates in October, November, and December of 2012.**

Buffalo – Small Group

- The Aqua base medical plan is changing 14.5% to 19.5% for single, 2 person, and employee/children contracts
- The Aqua base medical plan is changing 5.0% to 12.0% for all family contracts
- The HMO 100 base medical plan is changing 6.5% to 11.5% for single, 2 person, and employee/children contracts
- The HMO 100 base medical plan is changing -3.0% to 4.0% for all family contracts
- The HMO 200 base medical plan is changing 2.0% to 7.0% for single, 2 person, and employee/children contracts
- The HMO 200 base medical plan is changing -6.0% to 1.0% for all family contracts
- The POS 7000-series base medical plan is changing 7.0% to 12.0% for single, 2 person, and employee/children contracts
- The POS 7000-series base medical plan is changing 0.0% to 7.0% for all family contracts
- The PPO 7000-series base medical plan is changing 7.0% to 12.0% for single, 2 person, and employee/children contracts
- The PPO 7000-series base medical plan is changing 0.0% to 7.0% for all family contracts
- The POS 250D base medical plan is changing 4.0% to 9.0% for single, 2 person, and employee/children contracts
- The POS 250D base medical plan is changing -8.0% to -1.0% for all family contracts
- The PPO base medical plan is changing 3.5% to 8.5% for single, 2 person, and employee/children contracts
- The PPO base medical plan is changing -5.0% to 2.0% for all family contracts
- The Traditional Indemnity base medical plan is changing 10.0% to 15.0% for all contract types

**Healthy New York and Direct Pay. These adjustments will affect all policy holders on 1/1/2012.**

Buffalo

- Healthy New York plans are changing up to 3.4%
- Direct Pay HMO/POS plans are changing up to 19.5%
- Direct Pay Indemnity plans are changing up to 19.5%