

## **Justification of Rate Increase – Individual Under 65 Market**

### Scope and Range of the Rate Increase

Blue Cross and Blue Shield of North Carolina (Blue Cross NC) is requesting an average rate decrease of 1% for individuals enrolled on products offered under the Affordable Care Act (ACA). The actual rate change experienced by an individual will vary depending on factors such as age, geographic location, product, and benefit plan.

Nearly 495,000 individuals across North Carolina were enrolled with Blue Cross NC on these products as of July 2020. This filing will continue to offer coverage to individuals in all 100 counties.

### Financial Experience of the Product

Blue Cross NC realized a financial gain of \$347 million on individual market ACA products in 2019, or about 9% of premium.

In 2019, Blue Cross NC was responsible for \$3.1 billion in medical and prescription drug claims for members on these products. Blue Cross NC spent \$312 million in operating expenses and paid \$208 million in taxes and fees. This is compared to \$3.9 billion in revenue received.

### Changes in Medical Service Costs

Increasing medical costs are the primary driver of our rate changes. Factors expected to contribute to higher costs in 2021 include:

- Each year, many healthcare providers and prescription drug manufacturers raise the prices they charge for services
- Several new, high-cost prescription drugs will be introduced, some of which will cost thousands of dollars per pill
- New mandated benefits and coverage requirements are being added to all policies

Blue Cross NC is committed to providing affordable access to quality health care. In recent years, Blue Cross NC has implemented dozens of programs to reduce the cost of health care and the premiums members pay without sacrificing quality.

### Administrative Costs and Anticipated Profits

Blue Cross NC has invested in technology that is critical to supporting its call systems and digital platforms to respond to customers in a timely and efficient manner. These important investments are needed to provide the quality customer service experience its customers expect.

Offsetting this, the waiver of the Federal Health Insurance Tax for 2021 will reduce premiums for members.