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Texas Department of Insurance

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May 8, 2009

CAROLINE PROTHRO
BLUE CROSS AND BLUE SHIELD OF TEXAS, A DIVISION OF HEALTH CARE SERVICE CORP
901 S CENTRAL EXPRESSWAY
RICHARDSON, TX 75080-7399

RE: BLUE CROSS AND BLUE SHIELD OF TEXAS, A DIVISION OF HEALTH CARE SERVICE CORP

Each referenced form/rate was submitted under the authority of Texas Insurance Code Chapter 1701.

In accordance with 28 TAC §3.7, this letter is Notice of Departmental Action.

FILING ID#	FORM NO.	ACTION DATE	ACTION
2755721-0	RATE/ACTUARIAL (PPO-TRF/TAA-CONT)	05/08/2009	FILED FOR INFO

Ana Maria Smith-Daley
Deputy Commissioner
Life/Health Division

TEXAS BLUE ALLIANCE POLICY FORM NO. PPO-TRF/TAA-CONT

RENEWAL BUSINESS RATE FILING SUMMARY OF INFORMATION

General Description

Issuer Name: Blue Cross and Blue Shield of Texas, a division of Health Care Service Corporation, a Mutual Legal Reserve Company, an Independent Licensee of the Blue Cross and Blue Shield Association

Form Number: PPO-TRF/TAA-CONT, Approved September 2003

Policy Type: Individual Health Insurance

Benefit Description: Preferred Provider Organization (PPO) Comprehensive Medical, See Exhibit I

Renewal Provision: Guaranteed renewable

Marketing Method: Primarily by brokers and general agents

Underwriting Method: Medically Underwritten

Pre-ex Condition Excl.: No benefits for 12 months for conditions/symptoms in 12 month period prior to effective date, reduced as appropriate by creditable coverage

Issue Age Limits: Attained Age 65

Premium Basis: Attained Age

Actuary's Name, etc.: Liangjiao Huang, FSA, MAAA
Individual Products

Domicile State Approval: Seeking

Rate Methodology / Assumptions

General Method: See Exhibit II. The general rating approach is the cash flow method where one future rating period was considered for the combined cohorts of policies. Recent actual incurred claims were grouped separately by deductible and cohort, and projected for trend, duration, and expenses using the loss ratio method. The target loss ratio is 66.5% for all individual business combined.

The overall calculated increase for all policies in Cohorts C1, H1 - H4 with form PPO-TRF/TAA-CONT is 16.5%, and the overall implemented increase is 8.3%. Although not guaranteed, it is anticipated renewal rates will hold for twelve months. The renewal rates are effective July 1, 2009.

Rate Increases: Initial rates are guaranteed for six months (policies are no longer sold under this form). Any other rate changes will be implemented subject to appropriate legal notice (currently 30 days) and in conjunction with the appropriate filing.

The increase percentages effective July 1, 2009 for Cohorts C1, H1 - H4 by deductible are:

Cohort	\$500	\$1000	\$1500	\$2500	\$5000
C1, H1	7.5%	7.8%	8.1%	8.4%	8.8%
H2, H4	7.5%	7.8%	8.1%	8.4%	8.8%
H3	7.5%	7.8%	8.1%	8.4%	8.8%

To limit the frequency of rate changes for our policyholders, we propose to combine the attained age increase with the renewal increase. The proposed rates in Exhibit IV are developed accordingly. That is, ages displayed in the proposed rate tables are determined as of the renewal date and, for the purpose of determining premium rates, will not change until the next renewal date.



**BlueCross BlueShield
of Texas**

April 30, 2009

Mr. Mike Geeslin
Insurance Commissioner
Texas Department of Insurance
P.O. Box 149104
Austin, Texas 78714-9104

Re: Rates for Texas Blue Alliance, Form No. PPO-TRF/TAA-CONT

Dear Mr. Geeslin,

This is a rate revision filing on behalf of Blue Cross and Blue Shield of Texas, NAIC Code 70670, for individual comprehensive medical policies. The revisions are for all policies under this form number with the following issue / offer dates:

Prior to July 2006 (Cohort C1 & H1)
July 2006 through December 2006 (Cohort H2)
January 2007 through June 2007 (Cohort H3)
July 2007 through December 2007 (Cohort H4)

Rates are effective July 1, 2009.

The attached filing has been prepared for the sole purpose of compliance with the regulations of the State Board of Insurance, and may not be appropriate for other purposes. As an Actuary qualified according to the standards of the American Academy of Actuaries to give a statement of professional opinion regarding this filing of rates, I hereby certify that:

- (1) I have reviewed and duly considered the data and calculations shown in this filing;
- (2) this filing was prepared in accordance with generally accepted actuarial principles and practices; and
- (3) the premiums calculated are reasonable in relation to the benefits provided.

Respectfully submitted,

Liangjiao Huang, FSA, MAAA
Individual Products
Blue Cross and Blue Shield of Texas

Assumptions

Durational Wear-Off: Projected incurred claims in a future rating period for newer cohorts reflect the wearing off of medical underwriting selection and the ending of preexisting conditions exclusion period. Duration adjustments are applied to cohorts with an average duration of less than 24 months.

Trend and Deductible Leveraging: The average annual trend assumption is 9.5%. The annual trend rate (expressed as one plus trend) is augmented by a factor of one plus the annual deductible leveraging factor which varies by deductible:

<u>\$500</u>	<u>\$1000</u>	<u>\$1500</u>	<u>\$2500</u>	<u>\$5000</u>
1.5%	1.7%	1.9%	2.2%	2.6%

Commissions and Replacement Commissions: The product has a 10% commission on first year sales and a 10% commission for the remaining life of the policy. Policies sold through a general agent generate an override in the range of 2% - 3%.

Lapse: Lapses are not explicitly considered in the renewal calculation except through the morbidity/deterioration assumption.

Interest Assumption: Interest was not considered in the rate revision.

Morbidity Assumption: A morbidity or deterioration increase of 3.0% to the loss ratio is assumed to occur at each renewal.

Scope / Reason for Request

The increases are needed to meet our target loss ratio of 66.5% for Total Individual Products including our Select family of products.

Rates and Rating Factors

<u>Effective Date</u>	<u>Rate Type</u>	<u>Description</u>	<u>Cohort</u>	<u>Exhibit</u>
7/1/08	Renewal	Current	C1, H1	III
7/1/09	Renewal	Proposed	C1, H1	IV
7/1/08	Renewal	Current	H2, H4	V
7/1/09	Renewal	Proposed	H2, H4	VI
7/1/08	Renewal	Current	H3	VII
7/1/09	Renewal	Proposed	H3	VIII

Average Annual Premium and In Force Member Counts as of January 31, 2009

<u>Before *</u>	<u>After *</u>	<u>Member Count</u>
\$4,827	\$5,229	431

**Note before and after represent averages for all affected policies in a cohort - See Rate Increase section above for specific increases by deductible.*

Incurred Claims Experience and Earned Premium Experience: See Exhibit II

Actuarial Certification: See cover letter.

Plan Options | at a Glance

TEXAS BLUE ALLIANCE PROVIDES:

- Freedom to choose doctors and hospitals
- Choice of deductibles
- Three-tier prescription drug program
- Individual, spouse and family coverages available

Options	Calendar Year Deductibles				Copayment Amounts		Calendar Year Out-of-Pocket Maximum/Security Provisions				Coinsurance**				
	Individual Network	Individual Out-of-Network	Family Network	Family Out-of-Network	Office Visit (Network) Physician Consultation Only	Emergency Care		Individual Network	Individual Out-of-Network	Family Network	Family Out-of-Network	Out-of-Network			
						Plan Pays	You Pay					Plan Pays	You Pay		
Plan I	\$500	\$1,000	\$1,000	\$3,000	\$15	80%	20%	\$1,000	\$5,000	\$6,000	\$10,000	80%	20%	60%	40%
Plan II	\$1,000	\$2,000	\$2,000	\$6,000	\$22	80%	20%	\$1,000	\$5,000	\$6,000	\$10,000	80%	20%	60%	40%
Plan III	\$1,500	\$3,000	\$4,000	\$9,000	\$25	80%	20%	\$1,000	\$5,000	\$6,000	\$10,000	80%	20%	60%	40%
Plan IV	\$7,500	\$5,000	\$7,500	\$15,000	\$25	80%	20%	\$1,000	\$5,000	\$6,000	\$10,000	80%	20%	60%	40%
Plan V	\$4,000	\$10,000	\$15,000	\$30,000	\$25	80%	20%	\$1,000	\$5,000	\$6,000	\$10,000	80%	20%	60%	40%

*All other medical-surgical expense (lab and x-ray) will be subject to deductible and coinsurance amounts
 **Percentages apply to covered expenses after calendar-year deductibles are met.
 Lifetime maximum is \$2,000,000 per member.

Options	Prescription Drug Program			Calendar Year Maximum Benefits
	Copayment Amounts			
	Generic	Preferred	Non Preferred	
Plan I Plan II	\$15	\$30	\$45	\$2,500
Plan III Plan IV	\$15	\$30	\$45	\$2,500
Plan V	\$15	\$30	\$45	\$2,500



TX Blue Alliance
Renewal Effective Date: 07/01/2009, Series 0

Deductible / Out of Pocket Max	\$500	\$1,000	\$1,500	\$2,500	\$5,000	Total
All Members in Experience Period						
Member Months	487	1,006	1,008	1,522	2,073	6,096
Earned Premium	189,911	382,246	399,975	476,446	833,687	2,282,265
Earned Premium PMPM	389.96	379.97	396.80	313.04	402.16	374.39
Incurred Claims	77,601	92,946	491,083	221,177	659,483	1,542,270
Incurred Claims PMPM	159.35	92.39	487.17	145.32	318.13	253.00
Incurred Loss Ratio	0.409	0.243	1.228	0.464	0.791	0.676
Active Members at End of Experience Period						
End Members	35	62	65	122	147	431
Member Months	412	722	780	1,444	1,764	5,122
Annualized Member Months	420	744	780	1,464	1,764	5,172
Trend Assumptions						
Months of Trend (Mid Exp. Period - Mid Guarantee Period)	19.2	18.8	19.5	19.8	18.7	19.2
Annual Trend	1.095	1.095	1.095	1.095	1.095	1.095
Annual Deductible Leverage	1.015	1.017	1.019	1.022	1.026	1.022
Deterioration	1.030	1.030	1.030	1.030	1.030	1.030
Annualized Premium						
Earned Premium	155,275	282,547	319,686	447,449	659,895	1,864,851
Earned Premium PMPM	369.70	379.77	409.85	305.63	374.09	360.57
Latest Level Adjustment Ratio	1.069	1.092	1.100	1.095	1.097	1.094
Latest Level Premium	168,058	308,482	351,526	489,922	723,601	2,039,587
Latest Level Premium PMPM	395.37	414.83	450.67	334.65	410.20	394.35
Natural Increase Adjustment Ratio	1.016	1.018	1.018	1.016	1.028	1.020
Final Expected Premium	168,780	314,124	357,816	497,604	742,104	2,080,428
Final Expected Premium PMPM	401.86	422.21	458.74	339.89	420.69	402.25
Annualized Claims						
Incurred Claims	65,461	69,191	281,078	220,656	820,857	1,457,243
Incurred Claims PMPM	155.86	93.00	360.36	150.72	465.34	281.76
Duration Adjustment Ratio	1.028	1.008	1.024	1.002	1.012	1.013
Dur Adj Incurred Claims	67,263	69,713	287,793	220,991	830,420	1,476,180
Duration Adjusted Incurred Claims PMPM	160.15	93.70	368.97	150.95	470.76	285.42
Pooled Claims	0	0	45,412	0	410,976	458,387
Claims Less Pooling	67,263	69,713	242,381	220,991	419,444	1,019,792
Claims Less Pooling PMPM	160.15	93.70	310.74	150.95	237.78	197.18
Pooling Charge PMPM	11.89	12.03	11.71	10.72	12.08	11.61
Claims w/ Pooling Charge	72,255	78,683	251,511	236,682	440,754	1,079,864
Claims with Pooling Charge PMPM	172.03	105.73	322.45	161.67	249.86	208.79
Total Trend Factor	1.222	1.225	1.221	1.243	1.241	1.234
Trended Claims	88,287	96,390	307,076	294,108	546,991	1,332,852
Trended Claims PMPM	210.21	129.56	393.69	200.89	310.09	257.71
Deductible Shifting Morbidity Adjustment	1.000	1.072	0.914	1.022	0.969	0.977
Final Expected Claims	88,287	103,298	280,765	300,512	529,882	1,302,745
Final Expected Claims PMPM	210.21	138.84	359.98	205.27	300.39	251.88
Loss Ratio						
Incurred Loss Ratio	0.422	0.245	0.879	0.493	1.244	0.781
Expected Loss Ratio before Increase	0.523	0.329	0.785	0.604	0.714	0.626
Target Loss Ratio	0.665	0.665	0.665	0.665	0.665	0.665
FULLY CREDIBLE DETERMINATION						
Premium Needed	132,684	155,381	422,235	452,455	796,902	1,959,657
Fully Credible Needed Increase	-21.4%	-50.5%	18.0%	-9.1%	7.4%	-8.8%
Average Premium PMPM	315.91	208.85	541.33	309.05	451.76	378.90
PARTIALLY CREDIBLE DETERMINATION						
Increase Needed to Manual Rate	14.9%	21.8%	18.2%	39.0%	27.6%	26.8%
Credibility Weight	0.1407	0.1808	0.2019	0.3348	0.2801	N/A
Credibility Weighted Increase	9.1%	7.7%	16.4%	22.1%	18.3%	16.6%
Expected Premium	184,113	338,388	416,609	607,376	878,087	2,424,553
Average Premium PMPM	438.36	454.80	534.11	414.67	497.78	468.78
Implemented Increase						
Implemented Increase	7.5%	7.8%	8.1%	8.4%	8.8%	8.3%
Expected Premium	181,439	338,626	386,799	539,403	807,409	2,253,875
Average Premium PMPM	432.00	455.14	495.90	368.44	457.71	435.75
Expected Loss Ratio after Increase	0.487	0.305	0.726	0.557	0.656	0.578