

Blue Cross and Blue Shield of New Mexico – FACT SHEET

Where did the Individual Plan Dollar Go?



Inpatient Hospital
\$0.29

Outpatient Hospital
\$0.29

Providers
\$0.26

Drugs
\$0.19

Taxes
& Fees
\$0.05

Admin
\$0.15

2014 Actual Expenses for Individual Plans
Medical expense exceeds premium dollar collected.

About Us

- Blue Cross and Blue Shield of New Mexico (BCBSNM) is the largest commercial health insurer in New Mexico with over 600,000 New Mexicans carrying a Blue Cross and Blue Shield card.
- Since 1940, BCBSNM has been committed to promoting the health and wellness of its members and communities through accessible, cost-effective, quality health care.

- BCBSNM is a Division of Health Care Service Corporation, the country's largest customer-owned health insurer and fourth largest health insurer overall. Health Care Service Corporation is a Mutual Legal Reserve Company and an Independent Licensee of the Blue Cross and Blue Shield Association.

Economic Impact in 2014

(Includes wages, taxes, benefits, real estate spending, state bond holdings and charitable contributions)

New Mexico: \$147 million



450 K. NM

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Key Points:

- BCBSNM is proud that since the New Mexico Health Insurance Exchange opened in 2014, we have helped thousands of customers cover the cost of vital medical services, many for the first time.
- Unfortunately, the prices we charged for health insurance in 2014 and 2015 did not cover our costs. This resulted in Blue Cross and Blue Shield of New Mexico losing \$19.2 million last year based on the experience of our 35,000 individual customers.
- We have worked to reduce our administrative expenses and provide the best value we can. Even so, we were unable to reach an agreement with the Office of Superintendent of Insurance (OSI) that would allow us to continue to offer coverage on the state's health insurance exchange with rates that would be adequate to cover the anticipated needs of our members.
- While we are committed to helping communities expand access to health insurance, we cannot offer products in a sustainable and predictable manner without adequate rates.
- We will continue to offer an HMO product off exchange in 2016, which will be available to all consumers.
- Please know that our existing individual customer policies will remain in effect through December 31, 2015.
- Our small group, large group, commercial, Medicare Advantage Prescription Drug (MAPD), Medicaid and individual dental product lines are not impacted.
- Our company has served the needs of people throughout our state by offering access to health care through a variety of individual policies in every county. We greatly value our members and are proud of our long-standing commitment to the health and well-being of New Mexicans.
- We are now focused on helping our members understand the changes to their insurance going forward. As we approach open enrollment this fall, we will work with the OSI, health care providers and other stakeholders to make sure our members have the support they need to make informed choices and experience peace of mind during this transition.



18,500 Men
560 - Ind.

Why the 51 percent rate filing was needed:

Medical Costs

- Our individual on- and off-exchange plans have experienced higher medical expenses and utilization than expected. Price is based on several factors, including medical care costs, pharmaceutical costs and utilization. The rate filing reflected the actual claims and medical cost experience rather than the projections used to set the rates initially. Additionally, the demographics of our members were older with greater medical needs than projected.



Medical Loss Ratio (MLR)

- It is important to also remember that there are provisions within the Affordable Care Act that further manage consumer pricing, such as medical loss ratio (MLR), which requires a high percentage of the premium to go to medical costs. If they do not, customers will receive a premium rebate. As a result, there was no incentive for our company to ask for more premium than is required to pay the medical expenses of our members.

Changing Environment

- Today is a different environment for the health insurance industry. As a company, we need to manage the costs we can control such as overhead, increase efficiencies through technology and improved processes, and improve medical outcomes of our members by working with providers to improve quality of care. It is also important to note that members will be able to shop for similar products with competitors if they choose, as there is no longer medical underwriting for these policies.
- The Affordable Care Act expanded access to insurance for millions of Americans, guaranteeing coverage for pre-existing conditions and broadening health benefits. These new benefits came with new costs.

Access to Services

- Coverage for important health services for our retail members in New Mexico included more than 14,000 well care visits, 1,900 mammograms, and 170 babies welcomed into this world.
- However, we also saw an increase in claim costs for pent-up demand and important health needs and even chronic conditions for members in our communities. This translated to costs greater than the premiums we collected.



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