

10/26/07 9:30 Conference Call with Actuary

Participating: Liz Leif, Connie Welsh, Christina Goe, BJ Hoven, Lisa Crowley, Erin McGowan-Fincham, Joe Garza, Helen Taffs

The purpose of this meeting was to determine if there was any further room for negotiation with BCBS regarding the proposed rate increase for Insure Montana.

Liz advised that based on the limited information she was provided, no further savings were reasonable above what she initially proposed. The pricing was based upon a 75% projected loss ratio, 14.5% risk, .5% conversion, 5.5% commission, 1.1% EAP, and 1% MCHA.

Connie stated 25% administration seems high, and even 20% seems excessive. She stated that the 14.5% for claims processing should be the total administrative cost.

Liz advised that the group was given credit for full credibility, and that the pooling charge of 8.6% resulted in a 2% savings on the large claims. When asked if there was a difference between Risk and Claims Fluctuation, she responded no.

Connie asked about the IM trend of 16.9%, and asked what the average trend is. Liz stated the average trend is 11% to 13%, but it's possible the trend is different in Montana. Leif has experience in several states regarding trend, not just Colorado. In determining Trend, BCBS aggregated data for medical, dental, and Rx; in order to evaluate this accurately, Leif would need it broken down.

Connie asked about other party liability. 17 claims comprised 50% of the large claims; is there potential other party liability, such as worker's compensation? Is the Insure Montana pool being rated as if it isn't going to manage large claims, so there will be no incentive for BCBS to do more in managing those claims? Liz responded not entirely.

Connie asked Liz her opinion about an RFP and adverse selection. Allegiance and New West have reasonably comprehensive Preferred Provider Networks. Liz stated it is a good idea to offer choices if there is a specific benefit, but there are potential administrative problems. A competitive bid can force down administrative costs.

Connie and Lisa reiterated that BCBS has repeatedly stated they have given us their bottom line offer and we are unlikely to receive further concessions from them. In order to mitigate future rate increases, we need to work on other party liability, large claims, and maternity. It was suggested we request monthly reports on other party liability and maternity management.