

Disclosure of Certain Rating and Renewability Provisions Required by the Small Employer Health Insurance Availability Act

The Small Employer Health Insurance Availability Act (the "Act") requires that Blue Cross & Blue Shield of Rhode Island ("Blue Cross") conform to certain rating, renewability, enrollment, and marketing practices with respect to "small employers." If your business is a "small employer", this disclosure contains important information for you that you should read carefully. If your business is not a "small employer" this disclosure does not apply to you. Please notify your Marketing Representative.

A "small employer" is any person, firm, corporation, partnership, association, or political subdivision that (a) is actively engaged in business, (b) on at least 50% of its working days during the preceding calendar quarter; employed no more than 50 "eligible employees" with a normal work week of 30 or more hours, the majority of whom were employed within this state, (c) is not formed primarily for purposes of buying health insurance, and (d) in which a bona fide employer-employee relationship exists. An "eligible employee" is a full-time employee who works on a permanent (i.e. not temporary or substitute) basis.

Rating

Blue Cross develops an adjusted community rate ("ACR") based on the pooled claims experience of all enrolled small employers. ACR has two components:

- An amount that expresses projected claims experience for all small group employers; and
- An amount that expresses the expense of administering Blue Cross coverage for all small group employers. This amount is adjusted by subtracting an amount for expected earnings on investments and adding an amount that has been reserved for future use.

The ACR is then adjusted for certain factors prescribed by the Act. Those factors are the age, gender, and contract type (e.g. enrollee, enrollee/spouse, enrollee/child(ren), enrollee/spouse/child(ren)) of all the subscribers enrolled through your small employer plan. The ACR adjustment includes an adjustment based on employee age, with rates for employees between age 30 and 65 varying in five-year age brackets. A lower factor is used for those subscribers age 65 and older for whom Medicare is the primary payer. Finally, Blue Cross compares the rate quoted for each contract type for your health benefit plan to the rates quoted for each contract type for all health benefit plans issued or renewed in the same period, and makes any adjustments required to ensure that the relationship between the highest and lowest rates quoted falls within the limits prescribed by the Act. These adjustments determine your final rate.

Blue Cross may not adjust your rate more frequently than annually, except to reflect: (1) changes to your enrollment; (2) changes to contract type (e.g. if an employee marries or has a child); or (3) changes to your health benefit plan that you request.

Enrollment and Renewability

Our small group health benefit plans are offered annually for renewal to all groups that are "small employers" except in limited circumstances prescribed by the Act, including the following:

- Non-payment of the required premiums; or
- Fraud or misrepresentation by the employer; or
- Non-compliance with minimum participation requirements; or
- Non-compliance with minimum employer contribution requirements; or
- Non-compliance with re-certification process.

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Minimum Participation Requirements:

- Groups must enroll 75% of employees that a) are eligible for health coverage and b) have not waived enrollment due to other health coverage.
- If any eligible employee wishes to waive coverage for him- or herself or any dependents, the waiver must be documented with "Waiver/Certification Form" and returned to your Marketing Representative,

Minimum Contribution Requirements:

- Employer is requested to contribute a minimum of 75% of the individual premium rate for all eligible employees.

Marketing

Please see the attached list for a description of benefits and premiums for health benefit plans that Blue Cross currently offers to small employers. If you have any questions, please contact your broker, agent, or account executive for clarification of available plan types and benefit variations or for help in calculating rates/premiums.