

MAINE STATE LEGISLATURE

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LEGISLATIVE COUNCIL

JANUARY 7, 1988

PRELIMINARY AGENDA

CALL TO ORDER

ROLL CALL

SECRETARY'S REPORT

DIRECTOR'S REPORT

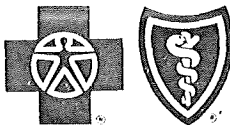
REPORTS FROM COUNCIL COMMITTEES

OLD BUSINESS

Item #1: Proposed Blue Cross/Blue Shield Rate Increase
(Tabled 1/6/88)

NEW BUSINESS

Item #1: After Deadline Requests



110 Free Street
Portland, Maine 04101
207/775-3536

Date: January 7, 1988

To: Senator Charles P. Pray
Chairman, Legislative Council

From: Katherine Alexander *KSA*
Vice President, Public Affairs

RE: BLUE CROSS AND BLUE SHIELD NONGROUP RATE INCREASE

In November, 1987 Blue Cross and Blue Shield of Maine filed a rate increase request for its nongroup line of business with the Bureau of Insurance. Our nongroup market consists of individual subscribers throughout the state. This is approximately 24,000 contracts. The requested rate increase does not affect the over-65, Medicare eligible population covered by our Companion Plan products. The proposed rate increase averages 27.7% over our current rates, which have remained in effect since January 1, 1984.

The reasons for our rate increase request include:

- o Blue Cross (hospital) and Blue Shield (physician) charges for services have increased over the past four years.
- o Similarly, utilization of health care services has also increased significantly.
- o Decreases in payments to hospitals from Medicare continue to shift additional liability to all other payors.
- o The number of professionals contracting with Blue Cross and Blue Shield has increased over 30% since the last rate filing in 1984 as new types of medical providers acquire participating status.

Over the past two years, this nongroup line of business has lost over \$5 million. Without the requested rate increase for 1988, we project that we will lose an additional \$5.4 million and the nongroup line of business will become insolvent.

Blue Cross and Blue Shield Nongroup Rate Increase
January 7, 1988
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The nongroup rate increase that we are requesting from the Bureau of Insurance does not affect any group business whatsoever. The renewal date of the current contract between Blue Cross and Blue Shield and the State of Maine for state employees, including members of the Legislature and legislative staff, is May 1, 1988. The state has just issued a Request for Proposal (RFP) to sixty companies to solicit bids for health care coverage for the coming contract period. We understand that the RFP contains cost containment specifications such as preadmission certification, second surgical opinion, discharge planning and individual case management. Blue Cross and Blue Shield intends to respond to the state's RFP by the February 5 deadline. We also understand the value of a bidding process to obtain the best possible coverage for the most reasonable cost.

We welcome your interest. The rate hearing for our nongroup line of business before the Bureau of Insurance is scheduled for January 12 at 1:30 PM at the Augusta Civic Center and is open to the public.

If you would like further information, contact me at 775-3536, Extension 1452; or Jadine O'Brien on the third floor of the State House.