

PRODUCER UPDATE



BlueCross BlueShield of Illinois

300 East Randolph Street • Chicago, Illinois, 60601

To: **Blue Cross and Blue Shield of Illinois Producers**

From: **Peter B. Rodes, Divisional Vice President, Consumer Markets**

Date: **May 18, 2006**

Subject: **Under-65 Rate Changes Effective July 1, 2006**

Modest Rate Adjustments for July 1, 2006 — 6.4% for Most New Business Rates!

We are very pleased to announce that upcoming premium increases for Blue Cross and Blue Shield of Illinois (BCBSIL) Under-65 products will be modest, ranging from only 2.9% to 8.7%. Our average increase for our Under-65 plans is 6.4%, compared to the national average rate increase of 6.8% (as estimated by the Centers for Medicare and Medicaid Services.) This marks our third consecutive year our increases are below trend rate action. The highest increase of 8.7% applies only to one plan, the \$1,000 deductible option for SelectBlue. We have been able to achieve these impressive results by negotiating tough but fair provider discounts, reducing administrative costs and managing utilization trends.

Rate adjustments will take effect July 1, 2006 and will not apply to new business written under the current 12-month guarantee. Enclosed in this update is a compilation of charts indicating all rate adjustments, effective July 1, 2006. Enclosed for your records is the new commission schedule, which includes SelecTEMP PPO. Please note that the recently introduced SelecTEMP[®] PPO product rates do not change.

In the face of rising health care costs, our ability to modestly increase premiums demonstrates our market leadership and ongoing commitment to providing our members with affordable coverage through rate stability and broad product portfolio. Furthermore, we are confident that this will contribute to increased sales and retention for our Producers.

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Producers who are at risk of losing business are encouraged to suggest to their customers that they switch deductibles or find a BCBSIL product that better suits their needs and budget. Here are a couple of examples.

Example 1 – Increase BlueValueSM deductible from \$500 to \$1,000 (Premiums as of 7/1/06)

BlueValue, 100% coinsurance, area 2, male age 40, female age 40 with maternity, 1 child

\$ 500 deductible – monthly premium \$832.64

\$1,000 deductible – monthly premium \$692.46

Monthly Savings \$140.18 Annual Savings \$1,682.16

Example 2 – Switch from SelectBlueSM to BlueChoice[®] Select (Premiums as of 7/1/06)

SelectBlue, 80% coinsurance, \$500 deductible, area 1, male age 45, female age 45 without maternity, 2 children — monthly premium \$1,070.34

BlueChoice Select, 80% coinsurance, \$500 deductible, area 1, male age 45, female age 45 without maternity, 2 children — monthly premium \$858.47

Monthly Savings \$211.87 Annual Savings \$2,542.44

BCBSIL is committed to supporting our Producers and to developing innovative ways to support you in your sales initiatives. As the leading insurer in Illinois with one of the largest provider networks, BCBSIL will continue to provide your customers with strength and stability. We appreciate your sales efforts and look forward to continuing our relationship during 2006.

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Under-65 New Business Rate Chart

The following chart outlines the new business rate adjustments for July 1, 2006. The rate changes vary depending upon plan and deductible.

BlueChoice Select, BlueChoice® Value, BlueValue SM , BlueValue Advantage SM , SelectBlue Advantage SM , Traditional Blue SM	2.9% to 7.6%
SelectBlue	3.9% to 8.7%
BasicBlue SM	3.3% to 7.6%
BlueEdge SM High Deductible Plans	6.4% to 7.6%

In-Force Business

Existing individual Under-65 members will see moderate rate changes beginning July 1, 2006 as shown in the table below. Your clients will receive written notification of the rate adjustment approximately 40 days before the new rate takes effect. Visit the Hallmark Web site for a complete listing of clients scheduled to receive rate adjustments in the next 60 days. Simply go to www.hscil.com and click on “*Client Listing*”. Next, click on “*Next Rate Change*”. Producers are encouraged to be proactive by contacting their clients in advance of their rate adjustment and remind them of our financial strength, stability and unsurpassed customer service.

As always, for those members who wish to apply for new business rates, they may complete a new application and go through the underwriting process.

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The following chart outlines in-force rate adjustments for July 1, 2006.

In-Force Rate Adjustments (at renewal)*

Series 3 Plans		
BlueChoice Select, BlueChoice Value, BlueValue, BlueValue Advantage, SelectBlue Advantage, Traditional Blue	Prior to 7/1/04 7/1/04 to 6/30/05 7/1/05 to 6/30/06	9% to 14% 9.3% to 14.4% 7.3% to 12.3%
SelectBlue	Prior to 7/1/04 7/1/04 to 6/30/05 7/1/05 to 6/30/06	10.1% to 15.2% 10.4% to 15.5% 8.4% to 13.4%
BasicBlue	Prior to 7/1/04 7/1/04 to 6/30/05 7/1/05 to 6/30/06	9.5% to 14% 9.8% to 14.4% 7.8% to 12.3%
BlueEdge High Deductible Plans	Prior to 7/1/04 7/1/04 to 6/30/05 7/1/05 to 6/30/06	10.7% to 11.9% 10.7% to 11.9% 10.7% to 11.9%

Series 2 Plan		
High Deductible Plan		6.4%
Individual/Family		
Comprehensive Major Medical Plus, Preferred Major Medical, The Alternative		9.3%
"2-9" Small Group		
Comprehensive Major Medical Plus, Preferred Major Medical, Small Group Alternative		8%
Series 1/1M Individual		
Comprehensive Major Medical Plus, Participating Provider Option		9.3%
Series 1M Small Group		
Comprehensive Major Medical Plus, Participating Provider Option		8%

*Effective on the first billing cycle after the expiration of the rate guarantee period on or after 7/1/06.

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New Individual Under-65 Rate Book and Software Available Online

The individual Under-65 rate book has been updated and is available for printing at the Producer Web site, www.bcbsil.com/dmagents. The updated illustration software will be available for downloading at the Producer Web site on June 1, 2006. Please begin to use these new materials for new business effective July 1, 2006.

For online services, please visit Hallmark's Web site at www.hscil.com. There you can obtain quotes, view our product guide and your book of business, check on the status of your customers' applications and submit questions to BCBSIL underwriters. Registration is required and you will receive your user ID and password within one or two business days.

Who to Contact with Questions

If you have any questions, please contact your Marketing Consultant or your General Agent.

<u>Marketing Consultants</u>	<u>Area</u>	<u>Telephone Number</u>
David Dutch	DuPage & Will Counties/ Southern Suburbs	(312) 653-8260
Kim Emery	Marion/Southern Illinois	(618) 964-9010
Audrey Marks	Northwest	(312) 653-7174
Wilbur Mills	Senior General Agents/ Baughman and Associates	(312) 653-6223
John Park	Chicago	(312) 653-5308
Rich Reiher	Springfield/Central Illinois	(217) 698-2203
Marylou Reiner	North Shore	(312) 653-6232

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General Agents

Baughman and Associates
1375 East U.S. 50
P.O. Box 277
Noble, IL 62868
(618) 723-2394

Employee Benefit Risk Management, Inc.
823 Commerce Dr. Ste. 350
Oak Brook, IL 60523
(630) 323-0600 or 800-982-3276

Flexible Benefit Service Corp.
10275 W. Higgins Rd. #500
Rosemont, IL 60018
(847) 699-6900 or 888-353-9178

Midwest Insurance Brokerage Services
54 W. Seegers Rd.
Arlington Heights, IL 60006
(847) 427-8000 or 800-845-9200

Resource Brokerage
957 Plum Grove Rd. #C
Schaumburg, IL 60173
(847) 605-1200

Senior General Agents

K & B Financial
7900 S. Cass Ave. #260
Darien, IL 60561
(630) 963-2202 or 800-572-7512

Senior Services of Illinois, Inc.
2215 Sanders Road #360-S
Northbrook, IL 60062
(847) 296-2100 or 800-806-1220

Steinhandler & Associates, Inc.
1515 E. Woodfield Rd. #112
Schaumburg, IL 60173
(630) 351-5758 or 800-468-7117

United Insurance Services, Ltd.
6500 W. College Dr.
Palos Heights, IL 60463
(708) 658-0050 or 800-244-0636