

**Regence BlueCross BlueShield of Oregon**  
**Individual Rate Filing Effective December 1, 2012**  
**ADMINISTRATIVE EXPENSES FIVE-YEAR HISTORY**

ADMINISTRATIVE EXPENSE - OREGON RATE FILING  
 PRODUCT: INDIVIDUAL

Part A. Five Year Trend of Administrative Costs  
 Per member per month (PMPM)

Definition: General administrative expenses are expenses an insurer incurs to run its Oregon business.  
 General Administrative expenses are **not directly related to paying claims**.

EXPENSE	2006		2007		2008		2009		2010		2011	
	Claim Related	Non-Claim Related										
Salaries, Wages, Employment	3.92	7.01	6.69	6.49	6.32	5.46	6.89	7.00	9.08	8.72	9.19	8.77
Commissions	0.00	7.69	0.00	7.30	0.00	8.15	0.00	9.52	0.00	9.84	0.00	5.49
Cost Depreciation: equipment, software, furniture, etc.	0.84	1.53	0.82	1.47	1.10	1.67	1.32	1.77	1.91	2.15	1.61	1.61
Rent (Occupancy)	0.40	0.63	0.44	0.65	0.41	0.62	0.44	0.65	0.67	0.97	1.06	1.21
Marketing & Advertising	0.00	0.33	0.00	0.65	0.00	0.67	0.00	0.69	0.00	0.70	0.00	0.36
General Office Expenses: sundries, supplies, telephone, printing, postage, etc.	0.60	1.39	0.47	1.07	0.43	1.08	0.42	1.14	0.54	3.63	0.34	2.88
Third Party Administration Expenses or Fees or Other Group Service Expense or Fees	2.42	0.85	2.29	1.40	1.96	0.63	2.11	0.82	1.91	0.90	3.21	1.16
Legal Fees and Expenses & Other Professional or Consulting Fees	0.01	0.00	0.01	0.24	0.01	0.33	0.03	0.40	0.03	0.57	0.02	0.50
Other Taxes, Licenses and Fees	0.44	0.72	0.47	2.12	0.48	1.92	0.48	3.20	0.68	6.68	1.02	4.12
Traveling Expenses	0.10	0.22	0.11	0.25	0.10	0.24	0.07	0.18	0.06	0.19	0.08	0.22
<b>Total Expenses Incurred</b>	<b>8.73</b>	<b>20.37</b>	<b>11.30</b>	<b>21.64</b>	<b>10.83</b>	<b>20.76</b>	<b>11.76</b>	<b>25.38</b>	<b>14.88</b>	<b>34.34</b>	<b>16.53</b>	<b>26.31</b>
Less Expenses unpaid December 31, Current Year	0.64	1.09	0.69	0.75	0.68	1.01	0.61	1.06	1.17	1.28	0.68	1.77
Add Expenses unpaid December 31, Prior Year	0.90	0.51	0.52	0.90	0.74	0.81	0.76	1.13	0.71	1.24	0.84	1.45
<b>Total Expenses Paid</b>	<b>8.99</b>	<b>19.79</b>	<b>11.13</b>	<b>21.79</b>	<b>10.89</b>	<b>20.56</b>	<b>11.91</b>	<b>25.45</b>	<b>14.42</b>	<b>34.30</b>	<b>16.68</b>	<b>25.99</b>

\* Administrative costs in this exhibit are reported on a statutory basis.

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Exhibit 3

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**Additional information on the Administrative Expense Exhibit**

**Line of business and per member per month data**

- The line of business administrative cost information is presented on a per member per month basis and is derived from the Company's statutory annual statement for prior years. The Company's most recent quarterly statutory statement filing is used for the current filing period data. The information presented will not tie directly to the annual statement as a result of necessary adjustments made to meet the requirements of this specific filing.

**Allocation of expenses**

- When possible administrative costs are assigned directly as a claim or non-claim related expense to the appropriate line of business. When costs cannot be directly assigned to a specific line of business the Company allocates expenses based upon appropriate objective statistical measures.

**Claim related and non-claim related expenses**

- Claim related expenses are those costs that are incurred in connection with the adjustment and recording of claims. There are also certain expenses that reduce the number or cost of health services thereby resulting in lower premiums or lower premium increases (these expenses are classified as cost containment expenses on the Company's statutory statements).
- Non-claim related expenses are all the remaining administrative expenses incurred in connection with the operations of the Company.