

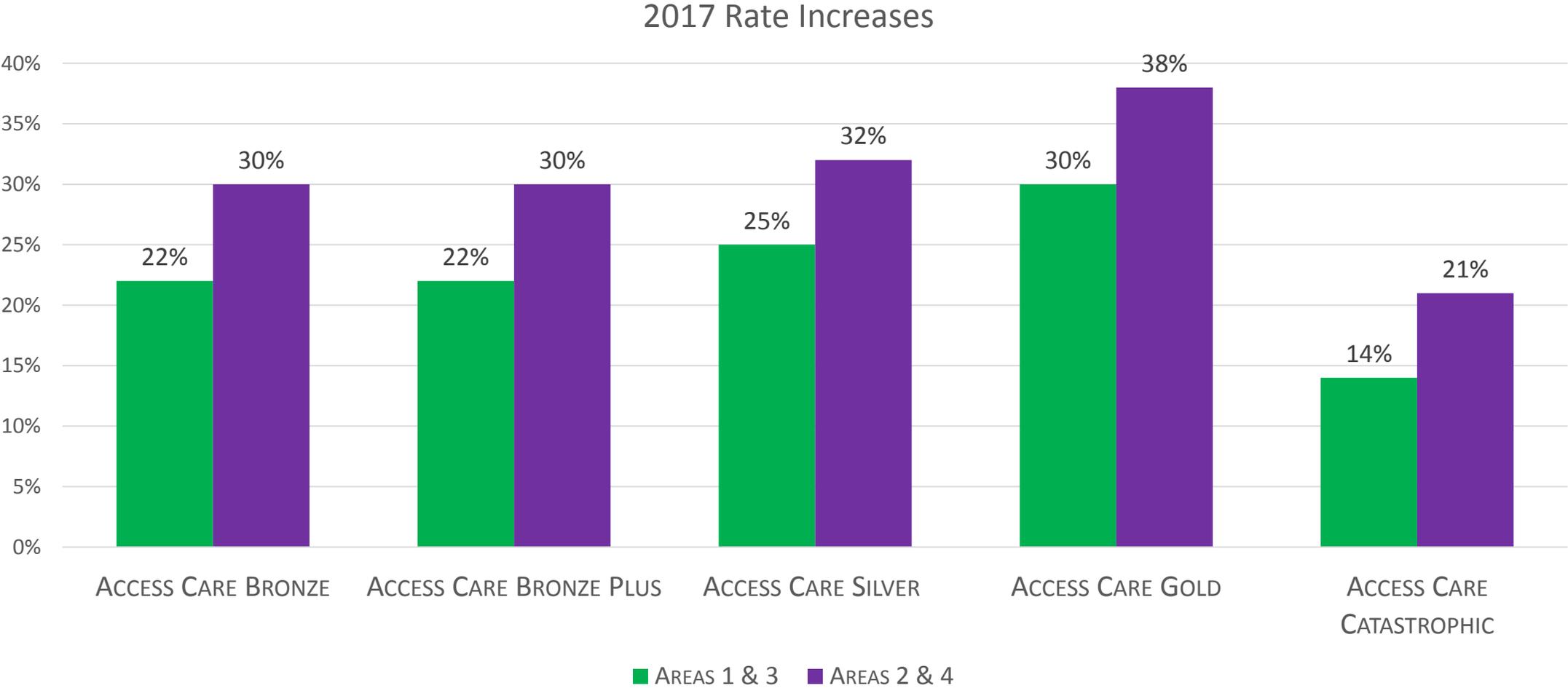


Montana Health CO-OP

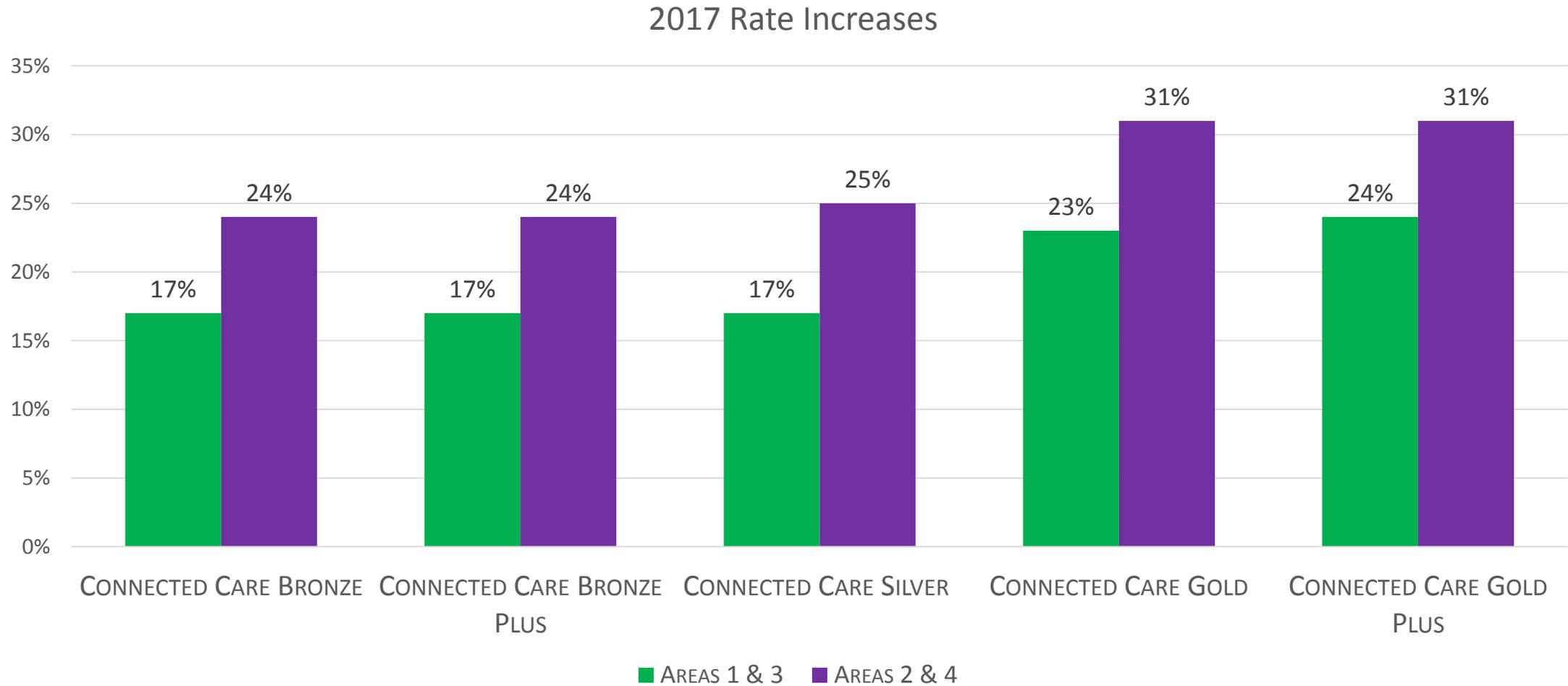
Summer 2016 Public Hearings

Individual Rate Information

2017 Rate Increases by Metal Level: Access Care Individual



2017 Rate Increases by Metal Level: Connected Care Individual



2017 Changes to Individual Portfolio

- Network
 - Network size continues to grow; no negative changes to either Connected Care or Access networks
- Regional Changes
 - No regional changes
- Plan Design Changes by Metallic Tier
 - Connected Care Silver Plus and Gold Plus eliminated. Current members will be moved to Connected Care Silver and Gold, respectively
 - Deductibles and maximum out of pocket amounts have increased slightly for all plans
 - Slight increases in deductible and out of pocket max amounts help keep rate increases more moderate. If out of pocket amounts did not increase, premium rates would increase more.
 - Connected Care products have % coinsurance for prescriptions; Access continues to have \$ copays for prescriptions

Changes in Deductible and Out of Pocket Maximums 2016 to 2017

Deductible	2016		2017	
Plan	In-Network Individual Family	Out-of-Network Providers Individual Family	In-Network Individual Family	Out-of-Network Providers Individual Family
Connected Care Gold	750 1500	2250 4500	750 1500	2250 4500
Connected Care Silver	2150 4300	6450 12900	2150 4300	6450 12900
Connected Care Bronze	4200 8400	12600 25200	5550 11100	16650 33300
Connected Care Bronze PLUS	4200 8400	12600 25200	6550 13100	19650 39300
Access Care Gold	750 1500	2250 4500	800 1600	2400 4800
Access Care Silver	2150 4300	6450 12900	2250 4500	6750 13500
Access Care Bronze	5000 10000	15000 30000	5250 10500	15750 31500
Access Care Bronze PLUS	5000 10000	15000 30000	5750 11500	17250 34500
Out-of-Pocket Maximum	2016		2017	
Plan	In-Network Individual Family	Out-of-Network Providers Individual Family	In-Network Individual Family	Out-of-Network Providers Individual Family
Connected Care Gold	4850 9700	14550 29100	5750 11500	17250 34500
Connected Care Silver	6350 12700	19050 38100	7150 14300	21450 42900
Connected Care Bronze	6850 13700	20550 41100	7150 14300	21450 42900
Connected Care Bronze PLUS	6450 12900	19350 38700	6550 13100	19650 39300
Access Care Gold	4500 9000	13500 27000	4750 9500	14250 28500
Access Care Silver	6350 12700	19050 38100	6850 13700	20550 41100
Access Care Bronze	6850 13700	20550 41100	7150 14300	21450 42900
Access Care Bronze PLUS	6450 12900	19350 38700	6550 13100	19650 39300

Rate Increase Drivers: Allowed Trend for Individuals

- 8.2% is the expected overall increase in cost of healthcare services used in our 2017 rates
- Trend for 2015 was 7.8%
- Trend for 2016 was 7.8%

Service Type	Inflation	Increased use of Services	Total
Inpatient Hospital	4.7%	2.1%	6.9%
Outpatient Hospital	5.6%	2.7%	8.4%
Professional	4.7%	2.4%	7.2%
Other Medical	4.7%	2.4%	7.2%
Prescription Drug	8.0%	2.8%	10.9%
Total			8.2%

Medicaid Expansion Effect on Individual Rates and Enrollment

- We did not calculate a specific effect of the Medicaid expansion.
- However, we have observed changes in enrollment and used those observations when predicting future enrollment changes:
 - The percent of members enrolled in 94% Silver plans decreased from 26% in 2015 to 20% in 2016
 - Although some members appear to have moved to Medicaid coverage, our claims experience for the 94% Silver members has been higher so far in 2016 than in 2015 than for the rest of our membership
 - Average allowed claims for these members was 7% higher in 2015
 - Average allowed claims for these members was 9% higher in 2016

Rate Increase Drivers for Individual Coverage: Historical Trend of Allowed Claims 2014-2015

Benefit Category	2014 Allowed Claims PMPM	2015 Allowed Claims PMPM	% Change
Inpatient Hospital	\$155.04	\$126.59	-18.3%
Outpatient Hospital	\$219.86	\$245.94	11.9%
Professional	\$124.33	\$126.77	2.0%
Other Medical	\$1.23	\$1.06	-13.7%
Prescription Drug	\$52.37	\$85.53	63.3%
Total	\$553.09	\$586.35	6.0%

Top 20 Most Expensive Drugs in 2015

Drug Name	Diagnosis	Average Cost per Prescription	Average Cost for Treatment	Total Amount MHC Spent
Lumizyme	Pompe Disease- Enzyme Replacement	\$ 60,837	\$ 608,370	\$ 608,370
Sovaldi	Hepatitis C	\$ 28,786	\$ 135,705	\$ 949,933
Kuvan	PKU	\$ 12,517	\$ 115,779	\$ 463,117
Jakafi	Chemotherapy- Myelofibrosis, Polycythemia Vera	\$ 9,514	\$ 104,657	\$ 104,657
Sutent	Chemotherapy- Kidney, Stomach, Pancreatic Cancer	\$ 10,937	\$ 98,435	\$ 295,305
Xyrem	Narcolepsy	\$ 9,083	\$ 90,832	\$ 90,832
Harvoni	Hepatitis C	\$ 32,448	\$ 86,915	\$ 2,433,611
Orkambi	Cystic Fibrosis	\$ 20,572	\$ 82,290	\$ 82,290
Xalkori	Chemotherapy- Lung Cancer	\$ 13,195	\$ 65,977	\$ 65,977
Natpara	Hyperparathyroidism	\$ 8,249	\$ 57,746	\$ 57,746
Gilenya	Multiple Sclerosis	\$ 5,722	\$ 54,357	\$ 108,714
Imbruvica	Chemotherapy- MCL - Chronic Lymphocytic Leukemia	\$ 9,775	\$ 48,876	\$ 48,876
Votrient	Chemotherapy- Late Stage Kidney Cancer	\$ 6,084	\$ 48,670	\$ 48,670
Hizentra	Immunodeficiency	\$ 5,118	\$ 46,065	\$ 92,130
Tecfidera	Multiple Sclerosis	\$ 5,596	\$ 42,906	\$ 128,719
Nexavar	Chemotherapy- Kidney, Liver, and Thyroid Cancer	\$ 13,664	\$ 40,993	\$ 81,987
Copaxone	Multiple Sclerosis	\$ 5,237	\$ 39,481	\$ 513,258
Revlimid	Chemotherapy- MDS, Multiple Myeloma, MCL	\$ 9,263	\$ 37,051	\$ 74,101
Afinitor	Chemotherapy- Kidney, Pancreas, Breast, and Brain	\$ 11,064	\$ 33,193	\$ 33,193
Rebif	Multiple Sclerosis	\$ 5,470	\$ 32,822	\$ 65,645

Top 20 Most Expensive Diagnoses in 2015

	Total Costs Per Month	Total Costs Per Year
Lung Transplant Status/Complications	\$ 74,387	\$ 892,645
Lipidoses and Glycogenosis	\$ 30,433	\$ 365,200
Stem Cell, Including Bone Marrow, Transplant Status/Complications	\$ 29,086	\$ 349,036
Respirator Dependence/Tracheostomy Status	\$ 28,895	\$ 346,740
Aplastic Anemia	\$ 22,332	\$ 267,979
End Stage Renal Disease	\$ 22,307	\$ 267,682
Opportunistic Infections	\$ 21,272	\$ 255,261
Liver Transplant Status/Complications	\$ 20,578	\$ 246,938
Protein-Calorie Malnutrition	\$ 19,438	\$ 233,252
Cleft Lip/Cleft Palate	\$ 18,826	\$ 225,907
Combined and Other Severe Immunodeficiencies	\$ 18,040	\$ 216,479
Non-Traumatic Coma, Brain Compression/Anoxic Damage	\$ 17,244	\$ 206,931
Other Premature, Low Birthweight, Malnourished, or Multiple Birth Newborns	\$ 16,441	\$ 197,289
Hydrocephalus	\$ 15,527	\$ 186,326
Vascular Disease with Complications	\$ 15,204	\$ 182,449
Metastatic Cancer	\$ 14,359	\$ 172,311
Central Nervous System Infections, Except Viral Meningitis	\$ 13,905	\$ 166,863
Myelodysplastic Syndromes and Myelofibrosis	\$ 13,819	\$ 165,834
Septicemia, Sepsis, Systemic Inflammatory Response Syndrome/Shock	\$ 13,576	\$ 162,907
Quadriplegia	\$ 13,335	\$ 160,021

Top 21 Most Expensive Total Diagnoses 2015

	Cost Per Member Per Month	Total Cost Per Member Per Year	Total Spent on This Condition All Members
Chronic Obstructive Pulmonary Disease, Including Bronchiectasis	\$ 3,816	\$ 45,795	\$ 14,074,313
Congestive Heart Failure	\$ 6,844	\$ 82,127	\$ 13,653,686
Septicemia, Sepsis, Systemic Inflammatory Response Syndrome/Shock	\$ 13,576	\$ 162,907	\$ 12,815,331
Specified Heart Arrhythmias	\$ 4,633	\$ 55,601	\$ 12,065,436
Protein-Calorie Malnutrition	\$ 19,438	\$ 233,252	\$ 12,051,372
Metastatic Cancer	\$ 14,359	\$ 172,311	\$ 11,731,524
Diabetes without Complication	\$ 1,513	\$ 18,158	\$ 11,470,053
Asthma	\$ 1,253	\$ 15,033	\$ 10,838,906
Coagulation Defects and Other Specified Hematological Disorders	\$ 7,765	\$ 93,182	\$ 10,405,346
Pulmonary Embolism and Deep Vein Thrombosis	\$ 8,001	\$ 96,017	\$ 10,249,814
Major Depressive and Bipolar Disorders	\$ 1,186	\$ 14,232	\$ 10,039,664
Cardio-Respiratory Failure and Shock, Including Respiratory Distress Syndromes	\$ 8,959	\$ 107,513	\$ 9,801,572
Diabetes with Chronic Complications	\$ 2,316	\$ 27,789	\$ 9,397,472
Rheumatoid Arthritis and Specified Autoimmune Disorders	\$ 2,596	\$ 31,151	\$ 7,400,959
Seizure Disorders and Convulsions	\$ 3,270	\$ 39,235	\$ 6,457,482
Artificial Openings for Feeding or Elimination	\$ 11,183	\$ 134,195	\$ 6,418,995
Adrenal, Pituitary, and Other Significant Endocrine Disorders	\$ 4,886	\$ 58,637	\$ 6,073,867
Intestinal Obstruction	\$ 8,919	\$ 107,025	\$ 5,975,575
Lung, Brain, and More Severe Cancers, Including Pediatric Acute Lymphoid Leukemia	\$ 9,624	\$ 115,491	\$ 5,466,553
Breast and Prostate Cancer, Benign/Uncertain Brain Tumors, and Other Cancers	\$ 2,600	\$ 31,206	\$ 5,416,830
Drug Dependence	\$ 4,464	\$ 53,572	\$ 5,017,894

Individual Rate Increase Drivers: Reinsurance

- For 2014 through 2016, the federal government paid some of the costs of very expensive claims
- This program ends in 2016
- We are estimating an increase of 5% due to the termination of this program
- The 5% is shown in the Components of Rate Change table

Components of 2017 Individual Rate Change

Utilization	2.5%
Unit Cost (cost of care)	5.5%
Change in Cost Sharing	0.0%
Change in Benefits Required by Law	0.0%
Change in Benefits NOT Required by Law	0.0%
Changes in Provider Network	0.0%
Population Risk Morbidity	0.0%
ACA Insurer Fee	-0.5%
PCORI Fee	0.0%
Exchange User Fee	0.1%
Risk Adjustment User Fee	0.0%
Risk Adjustment Receipts/Payments	-3.6%
Contribution to Surplus/Profit/Reserve	0.0%
All Other Retention Components	0.0%
Over/Understatement of Prior Rates	11.7%
Other (Loss of Reinsurance)	5.0%

Individual Claims Experience

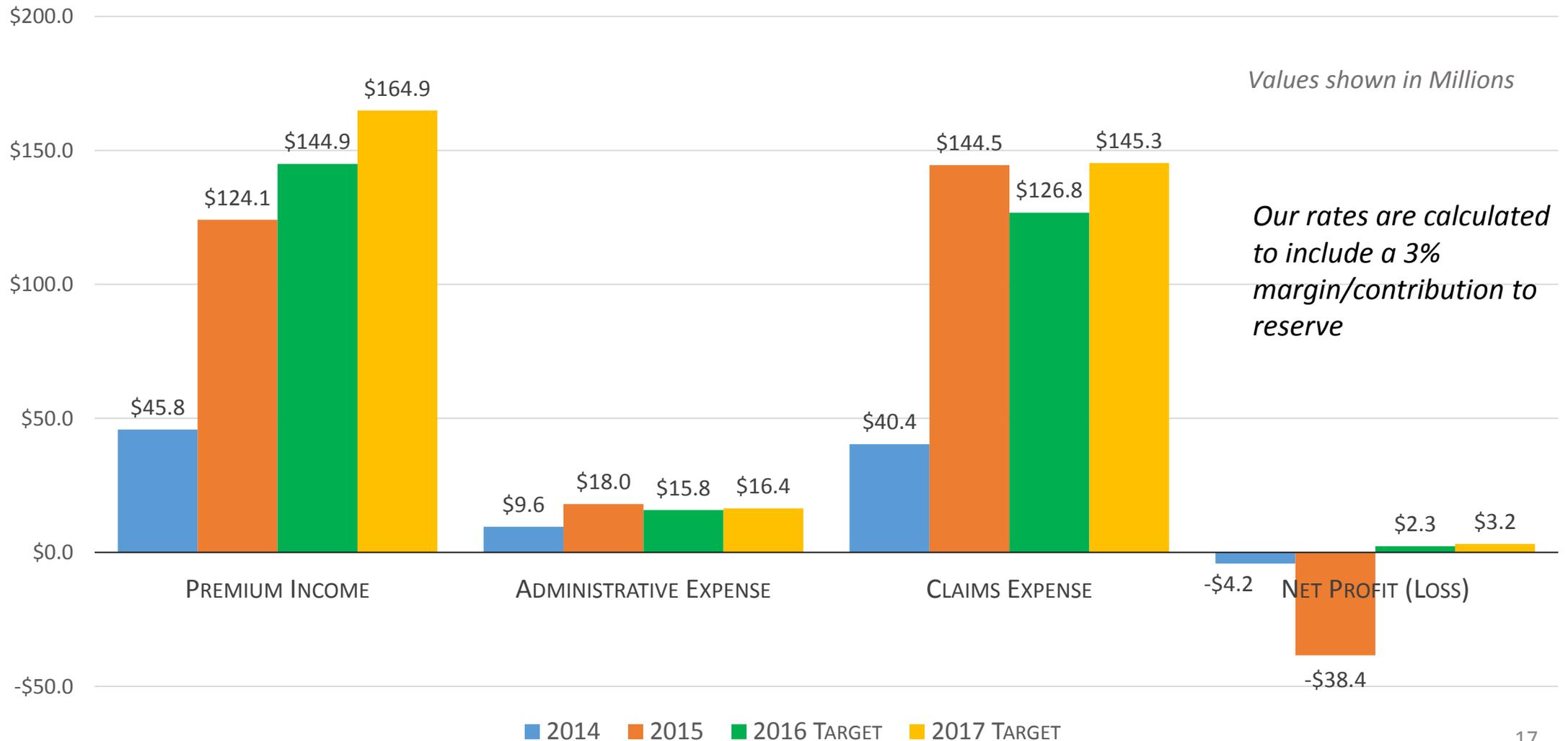
2014-2015: Where claims dollars go

- Loss Ratio (LR) is the proportion of each dollar paid in premium that goes to pay claims
- 2015 LR = 139%
 - For every \$1.00 in premium we received, we paid out \$1.39 in claims
- 2016 Target LR = 86%
 - For every dollar in premium we receive, we expect to pay out 86 cents
 - 10 cents going toward administrative costs
 - 4 cents going toward reserve, to make up for previous years' losses
- Target LR for 2017: 90%

Composition of Individual Administrative Expense Details: 2016 -2017

<i>As % of gross revenue</i>	2016	2017
Marketing and Sales Expenses	0.25%	0.20%
Agent Commissions	1.00%	1.00%
Executive Compensation	0.60%	0.53%
Exchange User Fees	2.00%	2.00%
Other Employee Compensation and Benefits	0.90%	0.77%
TPA/Other Consultant Fees	4.7%	4.7%
Other (Occupancy, CC Fees,	1.46%	0.74%

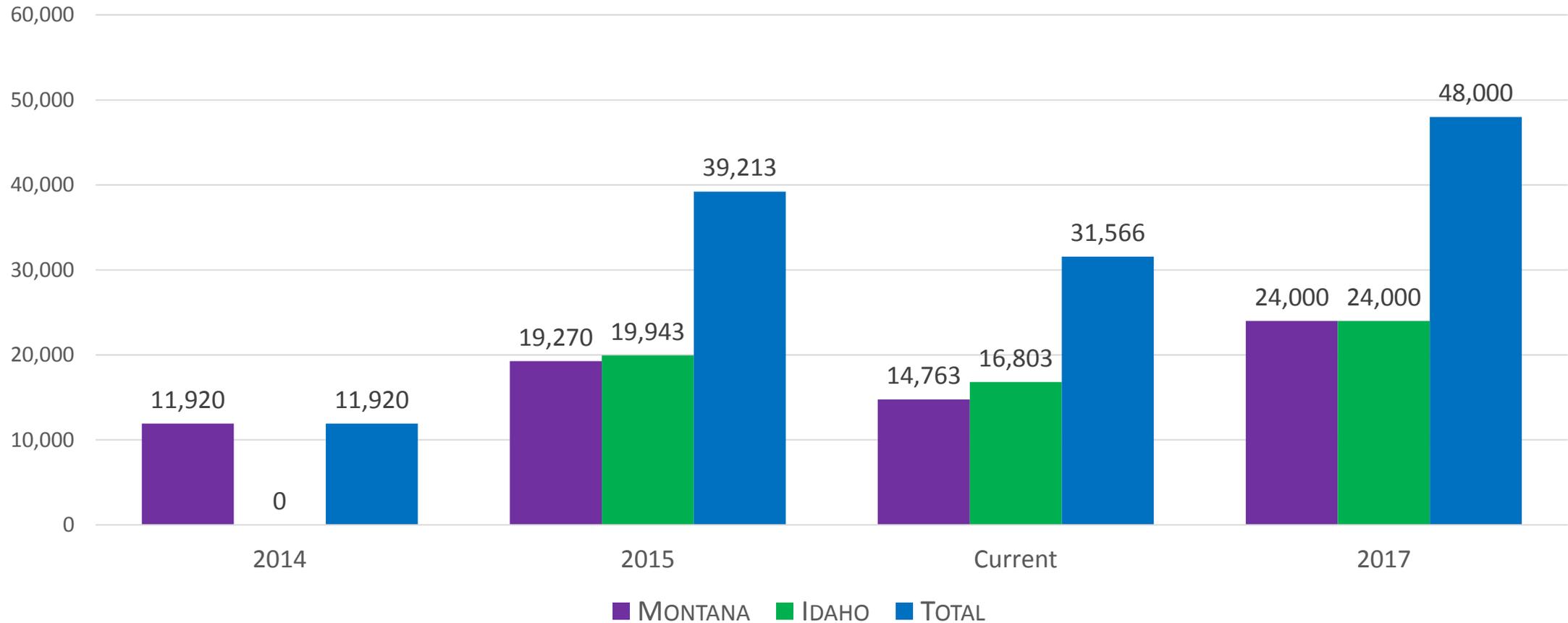
Individual Premium, Administrative Expense, Claims Expense and Net Profit/(Loss)



Reserve Based Capital: A Measure of Financial Health

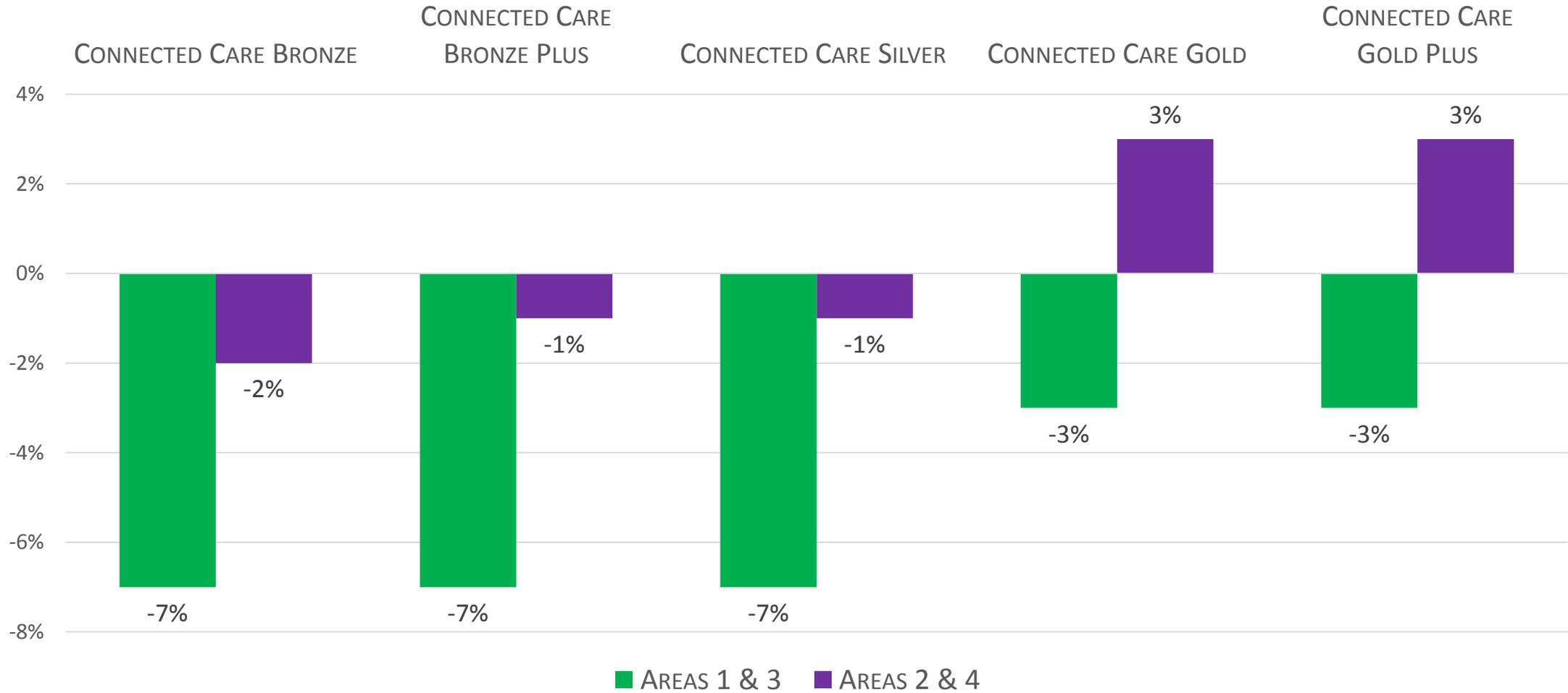
- Because we had no profit in 2014 or 2015, we had no premium contributions of profit to our surplus/reserve.
 - Net loss of \$4.2 million in 2014
 - Net loss of \$42.4 million 2015
- We are hopeful that we will have a net profit in 2016
 - Expectation of \$2.6 million profit in 2016
- Our current RBC is 400

Individual Membership Projections for 2017

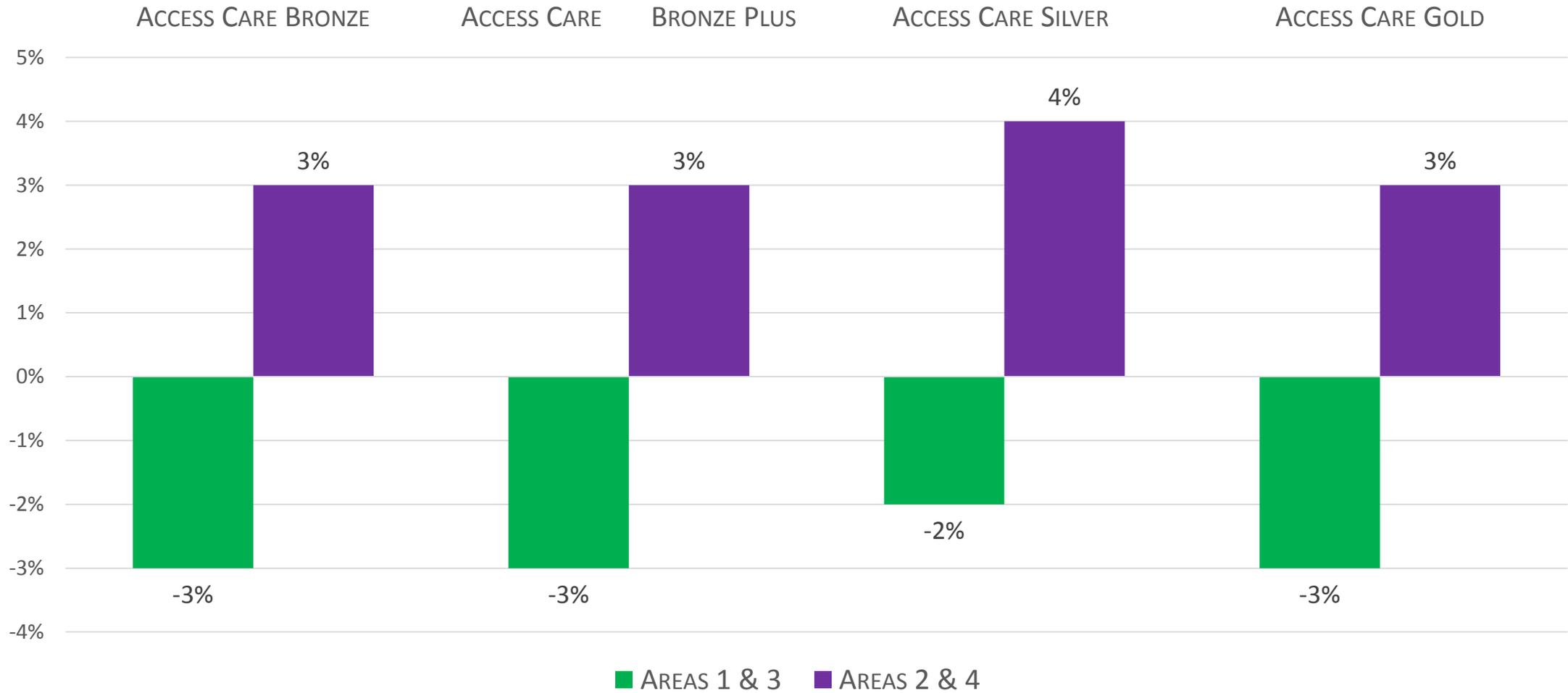


Small Group Rate Information

2017 Rate Increases by Metal Level: Connected Care Small Group



2017 Rate Increases by Metal Level: Access Care Small Group



2017 Changes to Small Group Portfolio

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 - Network size continue to grow; no negative changes in networks
- Regional Changes
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- Changes by Metallic Tier
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Rate Increase Drivers: Trend for Small Groups

- 8.1% is the expected overall increase in cost of healthcare services used in our 2017 rates
- Trend for 2015 was 7.8%
- Trend for 2016 was 7.8%

Service Type	Inflation	Increased use of Services	Total
Inpatient Hospital	4.7%	2.1%	6.9%
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Professional	4.7%	2.4%	7.2%
Other Medical	4.7%	2.4%	7.2%
Prescription Drug	8.0%	2.8%	11.0%
Total			8.1%

Rate Increase Drivers for Small Group Coverage: Historical Trend of Allowed Claims 2014-2015

Benefit Category	2014 Allowed Claims PMPM	2015 Allowed Claims PMPM	% Change
Inpatient Hospital	\$217.68	\$142.26	-34.6%
Outpatient Hospital	\$167.97	\$231.74	38.0%
Professional	\$96.71	\$122.79	27.0%
Other Medical	\$0.56	\$1.21	116.0%
Prescription Drug	\$99.51	\$65.85	-33.8%
Total	\$582.93	\$565.34	-3.0%

Components of 2017 Small Group Rate Change

Utilization	2.5%
Unit Cost (cost of care)	5.4%
Change in Cost Sharing	0.0%
Change in Benefits Required by Law	0.0%
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Changes in Provider Network	0.0%
Population Risk Morbidity	0.0%
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PCORI Fee	0.0%
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Risk Adjustment User Fee	0.0%
Risk Adjustment Receipts/Payments	0.0%
Contribution to Surplus/Profit/Reserve	0.0%
All Other Retention Components	-0.5%
Over/Understatement of Prior Rates	-4.8%
Other (Loss of Reinsurance)	0.2%

Small Group Claims Experience

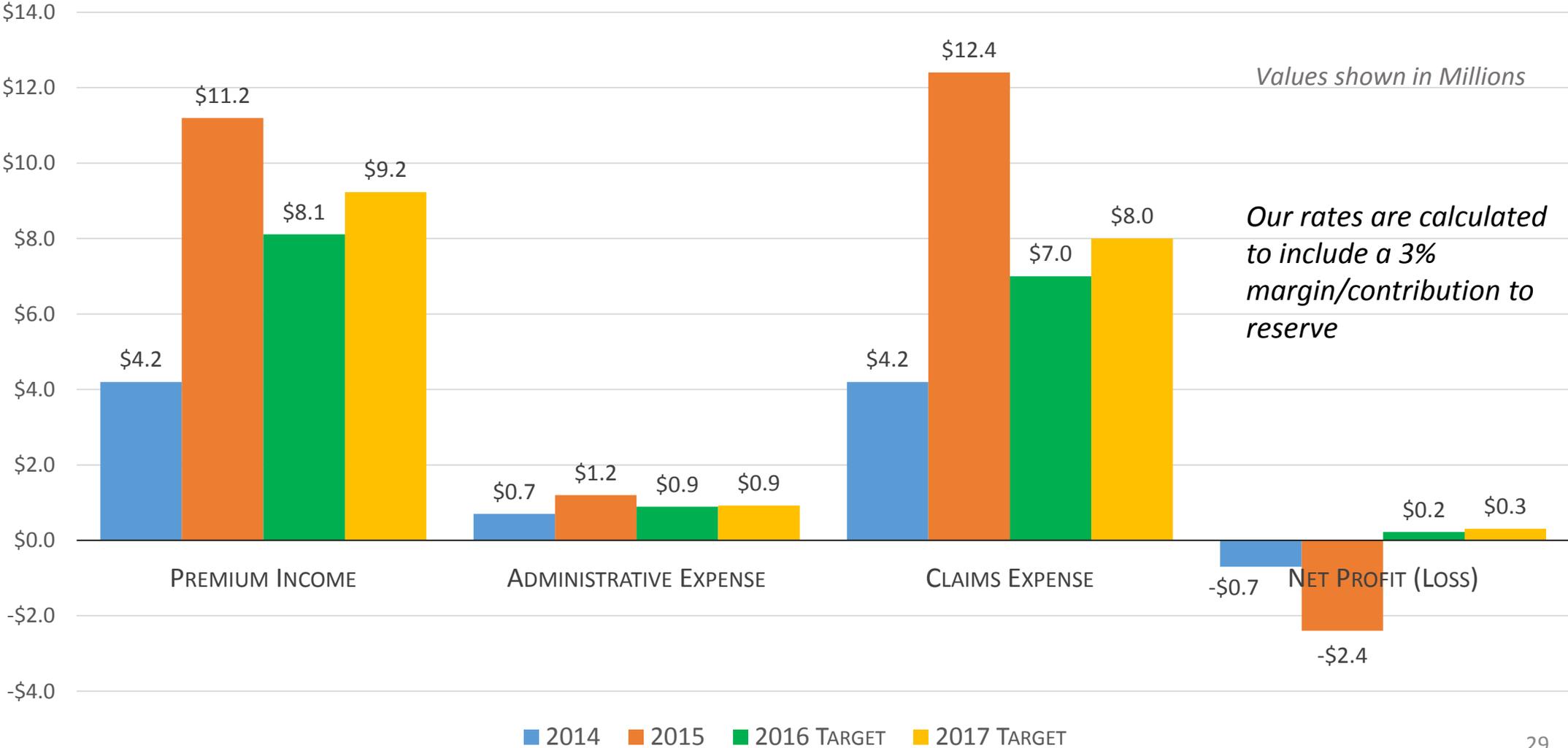
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Small Group Premium, Administrative Expense, Claims Expense and Net Profit/(Loss)



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2017 Small Group Membership Projections

