

**Part II Justification for Proposed Rate Increase
Montana Health Cooperative (MHC)
Individual Market
Effective January 1, 2017**

Section I: Scope and Range of the Proposed Rate Increase

- The average rate change before the application of advanced premium tax credits is 31%. The minimum change before the application of advanced premium tax credits is 14% and the maximum change before the application of advanced premium tax credits is 48%. Other changes in allowable rating factors such as age and tobacco use may also impact the premium amount and varies by individual.
- The average Access Care rate increase before the application of advanced premium tax credits is 39%, and the average Connected Care rate increase before the application of advanced premium tax credits was 31%. For the catastrophic plan, the average increase is 18%. Other changes in allowable rating factors such as age and tobacco use may also impact the premium amount and varies by individual.
- MHC has approximately 15,000 insureds enrolled who will be affected by 2017 Individual Market rate changes.

Section II: Most Significant Factors Affecting the Rate Changes

- The annual aggregate medical and Rx claims trend used in developing 2017 rates was 8%. Rx Trend was 11% and medical trend was 8%.
- There were no changes in benefits being offered. Plan designs were adjusted with assumed medical and Rx trend so that there was no significant impact on the rates due to plan design changes.
- The federal transitional reinsurance program is a temporary program that ends in 2016. Since this program is not expected to continue in 2017, we assume that reinsurance contributions and reinsurance recoveries will be zero. This increases premiums by 5%.
- Average allowed costs represent all claims paid by MHC and MHC's members for services covered by MHC's plans. MHC's average allowed medical costs increased by 11% from the 2014 experience period used in 2016 pricing to the 2015 experience period used for 2017 pricing.

Section III: Financial Experience

The individual market financial experience for calendar year 2015 was as follows:

Premiums Earned:	\$73.5 million
Incurred Claims after CSR:	\$102 million
Pure loss ratio:	139%
Target Loss Ratio for 2017:	80%
Target MLR for 2017:	90%
Member Months:	223,233

The rate changes will increase premiums to levels that are expected to be adequate to cover incurred claims and expenses.

Section IV: Administrative costs and Anticipated Profits

The 2017 rates are made up of the following components:

- Claims: 81%
- Risk Adjuster Paid: 4%
- Administrative Costs: 9%
- Federal Taxes and Fees: 3%
- Contributions to Surplus, Profit, and Risk Margin: 3%