

Part II: Consumer Friendly Rate Justification

UnitedHealthcare Insurance Company 2017 Non-Grandfathered Small Employer Rates – State of Montana

Scope and Range of Requested Rate Action

UnitedHealthcare Insurance Company is filing 2017 rates for small group benefit plans that meet the coverage and rating requirements of the Patient Protection and Affordable Care Act, , as amended by the Health Care and Education Reconciliation Act of 2010, collectively referred to as the Patient Protection and Affordable Care Act (PPACA).

The anticipated average rate change is - 0.9% with a minimum anticipated rate change of -2.7% and a maximum anticipated rate change of 4.1%. Included in the - 0.9% overall rate change, there is – 0.5% rate impact due to benefit changes implemented in order to maintain the same metal tier level and to meet federal mandates. The requested rates in this filing apply to new and renewing groups effective from January 1, 2017 through December 31, 2017. This filing is expected to affect approximately 107 members.

Changes in Medical Service Costs

Many different health care cost trends contribute to increases in the overall U.S. health care spending each year. These trend factors affect health insurance premiums, which can mean a premium rate increase to cover costs. Some of the key health care cost trends that have affected this year's rate actions include:

- **Increasing Cost of Medical Services** – Annual increases in reimbursement rates to health care providers – such as hospitals, doctors and pharmaceutical companies.
- **Increased Utilization** – The number of office visits and other services continues to grow. In addition, total health care spending will vary by the intensity of care and/or use of different types of health services. Patients who are sicker generally have a higher intensity of health care utilization. The price of care can be affected by the use of expensive procedures such as surgery vs. simply monitoring or providing medications.
- **Higher Costs from Deductible Leveraging** – Health care costs continue to rise every year, while deductibles and copayments remain the same. As a result, a greater percentage of health care costs need to be covered by health insurance premiums each year.

- **Cost shifting from the public to the private sector** – Reimbursements from the Center for Medicare and Medicaid Services (CMS) to hospitals are no longer covering all of the cost of care. The cost difference is being shifted to private health plans. Additionally, Medicare and Medicaid rates to hospitals are expected to decline due to the impact of the Patient Protection and Affordable Care Act on Medicare and the effect of the recession on Medicaid. A rate increase paid by Medicaid to hospitals is often below the actual cost increase hospitals will experience.
- **Impact of New Technology** - Improvements to medical technology and clinical practice require use of more expensive services - leading to increased health care spending and utilization.

Changes in Benefits

- **Coverage Mandates** – Existing benefits to which the requested rate change applies meet the Essential Health Benefit and other PPACA requirements, among others the pediatric dental and vision benefits. These plans do not include internal dollar limits on Essential Health Benefits, and all customer copays, including prescription drug copays, will count towards satisfying the overall plan out-of-pocket maximum.

Administrative Costs and Anticipated Margin

UnitedHealthcare Insurance Company works to directly control administrative expenses by adopting better processes and technology, and through the development of programs and innovations that make health care more affordable. We have led the marketplace by introducing key innovations that make health care services more accessible and affordable for customers, improve the quality and coordination of health care services, and help individuals and their physicians make more informed health care decisions.

Additionally, UnitedHealthcare Insurance Company indirectly controls medical cost payments by using appropriate payment structures with providers and facilities. UnitedHealthcare's goal is to control costs, maximize efficiency, and work closely with physicians and providers to obtain the best value and coverage.

In addition, State and/or Federal government imposed taxation and fees are another significant factor that impacts health care spending. These fees include PPACA taxes and fees which will increase health insurance costs and need to be reflected in premium. The requested rate change is anticipated to be sufficient to cover the projected administrative costs in 2017.