



PacificSource Health Plans – Individual Plans

This document is prepared by the Montana Office of the Commissioner of Securities and Insurance to help explain the rate filing. It is not intended to describe or include all factors or information considered in the review process. For more information, see the complete Part II Justification for the proposed rate increase at csimt.gov.

Overview

Requested average rate change:	19.8 %*
Range of requested rate change:	13.7%-25.3%
Effective date:	01/01/2017
People impacted:	8,500 **

PacificSource is eliminating all of their bronze and catastrophic plans and limiting the sale of their less expensive network to only 5 counties around Billings and Missoula. If individuals currently enrolled in bronze or catastrophic plans decide to renew with PacificSource, in 2017 they will be placed in a richer plan (silver) and the resulting premium changes will range from 41.3 % to 75 %, averaging 51.3 %. In addition there may be additional increases resulting from a change in network from “Smarthealth” to “PSN.”

*This average increase applies only to individuals who are currently enrolled in a gold or silver plan.

**These increases do not reflect the application of premium tax credits. The impact of these rate increases will be substantially eliminated or reduced for individuals receiving premium tax credits.

Key information

Jan. 2015-Dec. 2015 financial experience	
Premiums	\$37.2M
Claims***	\$48.5M
Loss Ratio	130.6 %

*** Anticipated repayment of cost sharing reductions have been deducted from this Amount.

**** Administrative cost includes agent commissions and exchange fees.

How it plans to spend your premium

This is how the insurance company plans to spend the premium it collects in 2017:

Claims:	85.1%
Administrative: ****	5.7%
Taxes & fees:	3.2%
Profit:	6.0%

Explanation of requested rate change

The expected average annual medical and prescription drug trend is 7 %.

- The increase in rates from 2016 to 2017 is primarily driven by changes in medical service and pharmacy costs, the elimination of federal reinsurance, and worse than expected claims experience.
- The sunset of the federal reinsurance program on December 31st of 2016 requires PacificSource to recognize the full weight of large claims in its experience for 2017, which leads to higher rates relative to the prior year.
- Members who are on plans which will be discontinued will be mapped to new plans, which will have new cost sharing parameters and may be in different networks. Overall, members are projected to be on plans which will cover slightly more of their expected medical costs in 2017 than their existing plans would have.