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## **Montana Health CO-OP 2019 Proposed Individual and Small Group Premium Rate Changes**

## No Product or Service Area Changes for 2019

- MHC continues offering the same products in the same areas as we currently do
- There are no major changes in network affiliations
- Benefit changes are primarily in the amount of deductible and out of pocket maximum for each product in keeping with federal guidelines
  - HSA maximum is \$6750 deductible/out of pocket maximum
  - Out of pocket maximum for all other products range from \$5750 to \$7900



# 2019 Proposed Individual Rate Changes by Plan & Rating Area:

Network/Product/Metal Level	Area 1	Area 2	Area 3	Area 4
Connected Care Gold	3%	3%	3%	3%
Connected Care Silver	8%	8%	8%	8%
Connected Care Bronze	11%	11%	11%	11%
Connected Care Bronze PLUS	13%	13%	13%	13%
Connected Care Silver Option 2	10%	10%	10%	10%
Connected Care Expanded Bronze	12%	12%	12%	12%
Connected Care Catastrophic	23%	23%	23%	23%
Access Care Gold	5%	N/A	5%	N/A
Access Care Silver	9%	N/A	9%	N/A
Access Care Bronze	11%	N/A	4%	N/A
Access Care Bronze PLUS	13%	N/A	13%	N/A
Access Care Expanded Bronze	9%	N/A	9%	N/A

Average increase is 10.6%

## Rate Increase Drivers: Trend for Individuals

- 7.9% is the expected overall increase in cost of healthcare services used in our 2019 rates
- Trend for 2015 was 7.8%
- Trend for 2016 was 7.8%
- Trend for 2017 was 8.1%
- Trend for 2018 was 8.0%
- Inflation affects healthcare costs just as it affects the costs of other goods and services
- Also affecting the cost of healthcare premiums is the amount of goods and services our members use
- So, both inflation and the amount of use of health care services affects the cost of premiums

Service Type	Inflation	Increased use of Services	Total
Inpatient Hospital	6.0%	1.0%	7.0%
Outpatient Hospital	7.0%	1.0%	8.1%
Professional	4.5%	1.5%	6.1%
Other Medical	4.5%	1.5%	6.1%
Prescription Drug	10.5%	1.0%	11.6%
Total			7.9%

# Where Premium Dollars Go: Claims, Risk Adjuster and Administrative Costs

- The 2019 rates are made up of the following components, which are similar to 2018, except a much higher risk adjuster payment:

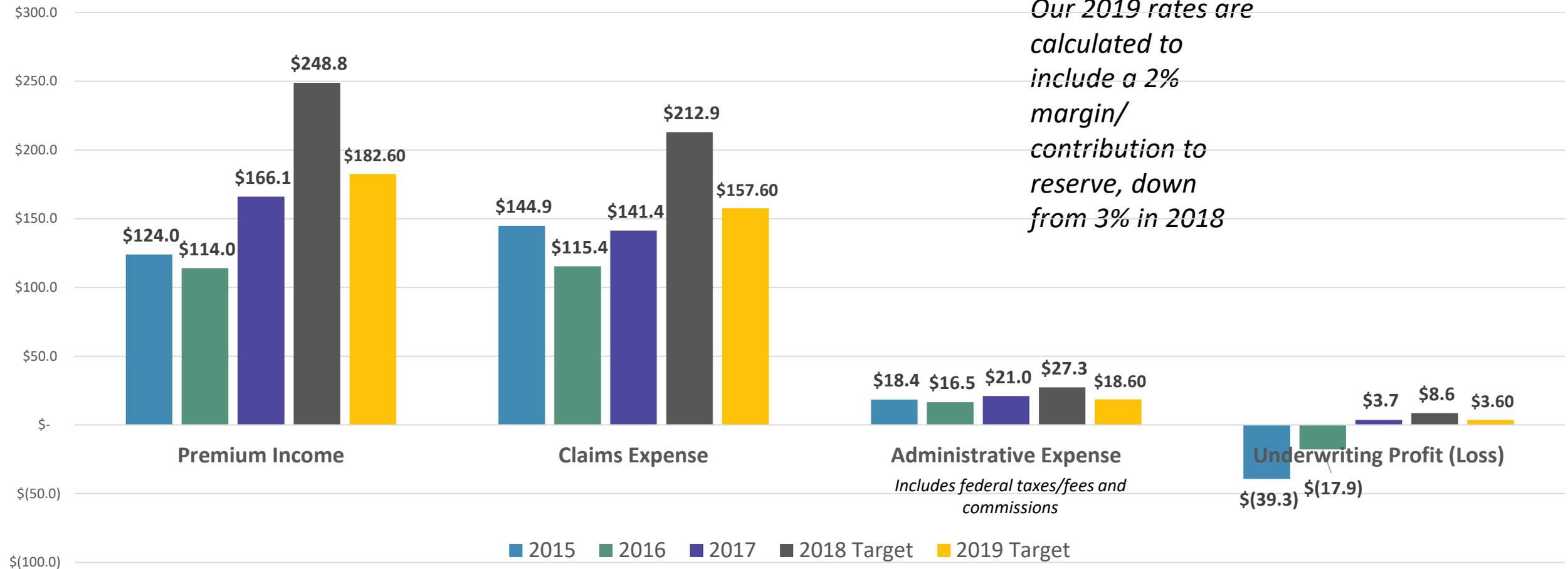
Component	Dollar Amount	Percent of Premium
Claims	\$157,640,237	65.2%
Risk Adjuster Paid	\$42,045,765	23.0%
General Administrative Costs	\$11,904,979	6.1%
Federal Taxes and Fees	\$5,970,749	3.3%
Commissions	\$730,367	0.4%
Surplus, Profit, and Risk Margin	\$3,651,834	2.0%
Total	\$182,591,706	100%

- Surplus/profit is required since actual results can vary widely from estimates and MHC must remain “in the black” like any other business
- Profit margins in pricing are estimated at 2% for individual business
- MHC must maintain reserve levels (known as risk based capital (RBC)) levels of greater than 400%
- 2018 & 2019 pro-formas show RBCs of 479% - 513%

# Individual Premium, Claims Expense, Administrative Expense and Underwriting Profit/(Loss) *(in millions)*



*Our 2019 rates are calculated to include a 2% margin/contribution to reserve, down from 3% in 2018*



## Individual Administrative Expenses Breakdown and History

	Dollar Amount	Percent of Premium
2014	\$12,070,881	12.9%
2015	\$11,947,300	9.6%
2016	\$9,477,988	8.3%
2017	\$13,389,578	8.1%
2018 (estimated)	\$12,482,732	5.0%
2019 (projected)	\$11,904,979	6.5%

- The trend for administrative expenses shows a significant downward trend over the past five years.
- MHC projects a much lower administrative cost in 2019 as a result of our change to a new third party administrator.



# Small Group Rate Information

# 2019 Proposed Small Group Rate Changes



Network/Product/Metallic Level	Area 1	Area 2	Area 3	Area 4
Connected Care Gold	5%	5%	5%	5%
Connected Care Silver	3%	3%	3%	3%
Connected Care Silver Plus	2%	2%	2%	2%
Connected Care Silver Option 2	4%	4%	4%	4%
Connected Care Bronze	6%	6%	6%	6%
Connected Care Bronze PLUS	7%	7%	7%	7%
Connected Care Expanded Bronze	6%	6%	6%	6%
Access Care Gold	6%	6%	6%	6%
Access Care Silver	4%	4%	4%	4%
Access Care Bronze	6%	6%	6%	6%
Access Care Bronze Plus	8%	8%	8%	8%
Access Care Expanded Bronze	4%	4%	4%	4%

Overall rate change is 4.6%

## No Product or Service Area Changes for 2019

- MHC continues offering the same products in the same areas as 2018
- There are no major changes in networks
- Benefit changes are primarily in the amount of deductible and out of pocket maximum for each product in keeping with federal maximums
  - Health savings account maximum is \$6750 deductible/out of pocket maximum
  - Out of pocket maximum for all other products is \$7900

# 2019 Rate Components-Small Group Business



- The 2019 rates are made up of the following components:

Components	Dollars	Percent
Claims	\$1,517,747	78.0%
Risk Adjuster Paid	\$145,937	7.5%
Administrative Costs	\$170,260	8.75%
Federal Taxes and Fees	\$4,865	0.25%
Commissions	\$77,833	4.0%
Surplus, Profit, and Risk Margin	\$29,187	1.5%

- Surplus/profit is required since actual results can vary widely from estimates and MHC must remain “in the black” like any other business
- Profit margins in pricing are estimated at 1.5% for small group business
- MHC must maintain reserve levels (known as risk based capital (RBC)) levels of greater than 400%
- 2018 & 2019 pro-formas show RBCs of 479% - 513%

## Small Group Quarterly Premium Rate Increases

- For Access Care and Connected Care small group products, the quarterly rate changes are the same:
  - Rate change Quarter 2: Increase 1.9%
  - Rate change Quarter 3: Increase 1.9%
  - Rate change Quarter 4: Increase 1.9%

## 2019 Rate Change Drivers: Trend for Small Groups

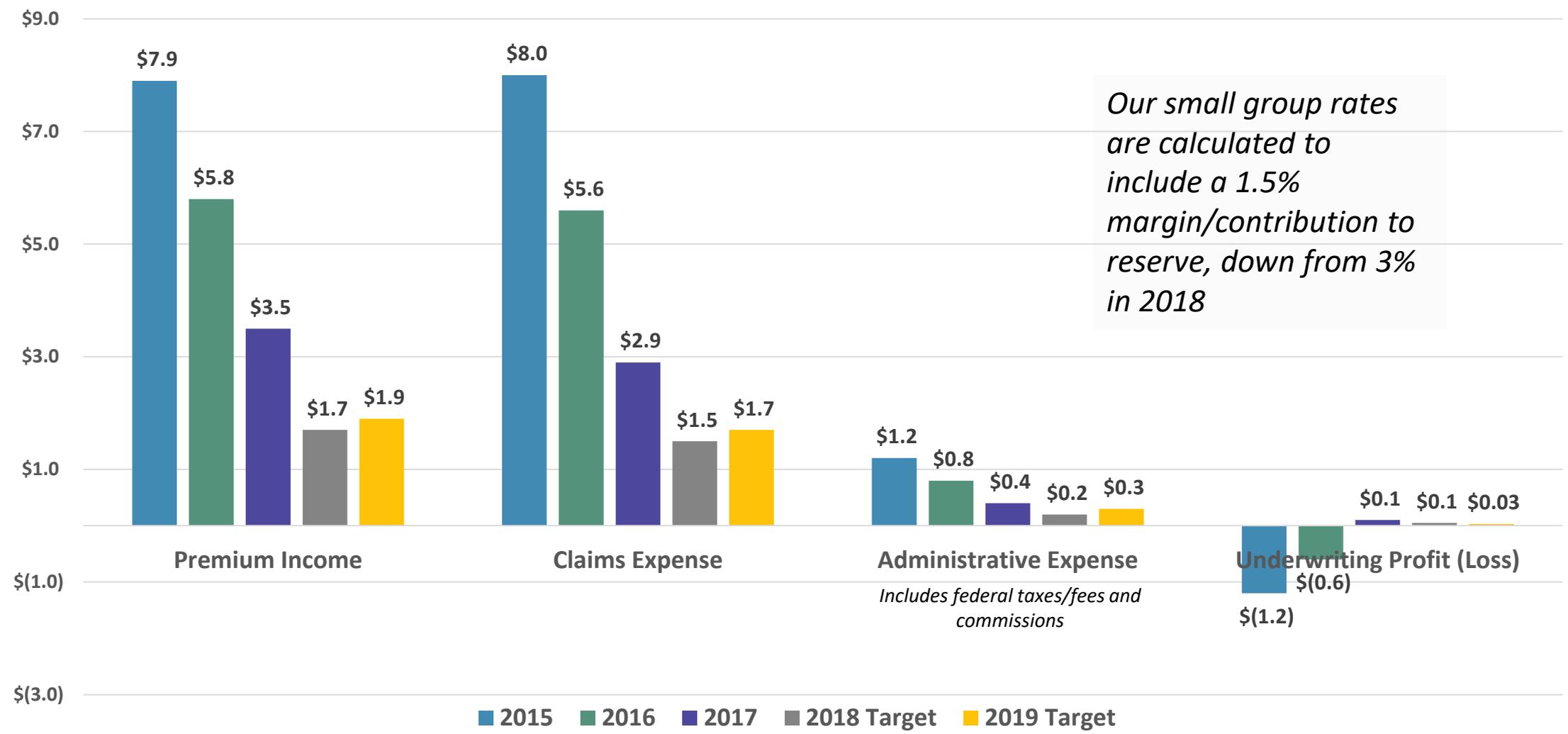


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Other Medical	4.5%	1.5%	6.1%
Prescription Drug	10.5%	1.0%	11.6%
Total			7.9%



# Small Group Premium, Claims Expense, Administrative Expense and Underwriting Profit/(Loss) *(in millions)*



## Small Group Administrative Expenses Breakdown and History

	Dollar Amount	Percent of Premium
2014	\$1,556,822	16.4%
2015	\$1,244,836	15.8%
2016	\$810,138	14.0%
2017	\$439,914	12.6%
2018 (estimated)	\$223,857	13.6%
2019 (projected)	\$252,958	13.0%

- The trend for administrative expenses is a downtrend over the past five years.
- MHC has not had high enrollment in small group products and therefore the administrative percentage is higher than in our individual product line.