

Part II Rate Increase Justification

Montana Health CO-OP
Preliminary Rate Increase Justification for 2019
Small Group Market

Scope and Range of Rate Increase

Montana Health CO-OP (MHC) projects to have 234 insureds enrolled in the Small Group market. Before federal subsidies, the average annual change in premium for these individuals will be 4.6%. The requested rate change varies by product with the smallest average annual change of 2.5% for Connected Care Silver Plus and the largest average annual change of 7.7% for Access Care Bronze Plus.

As of 06/2018, Montana Health CO-OP (MHC) has 248 insureds enrolled who will be affected by 2019 Small Group Market rate changes if they continue their coverage. Before federal subsidies, the average annual change in premium for these individuals will be 4.7%. The requested rate change varies by product with the smallest average annual change of 2.6% for Connected Care Silver Plus and the largest average annual change of 7.9% for Access Care Bronze Plus. These percent increases vary from those in the previous paragraph due to a difference in counts used to calculate the averages.

2019 Rate Impact by Quarter Montana Health CO-OP				
<u>Quarter</u>	<u>Lives</u>	<u>Average</u>	<u>Min</u>	<u>Max</u>
Q1	202	4.5%	2.6%	7.8%
Q2	24	5.5%	2.7%	7.9%
Q3	12	5.1%	5.1%	5.1%
Q4	10	5.8%	5.1%	6.0%
Annual	248	4.7%	2.6%	7.9%

Financial Experience of Product

The Small Group market financial experience for calendar year 2017 was as follows:

- Premiums Earned before Risk Adjustment: \$2.4 million
- Incurred Claims after CSR: \$1.3 million
- Member Months: 2,575

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

Changes in Medical Service Costs

Medical service costs are constantly changing. MHC is assuming an overall allowed annual cost trend of 7.9%. This number has been

Changes in Benefits

Benefits offered have not changed significantly from the prior year.

Administrative Cost and Anticipated Margins

The 2019 rates are made up of the following components, which are similar to the prior year:

- Claims: 69.5%
- Risk Adjuster Paid: 14.5%
- Administrative Costs: 9.5%
- Federal Taxes and Fees: 0.0%
- Commissions: 5.0%
- Surplus, Profit, and Risk Margin: 1.5%

