

Part II Rate Increase Justification

Montana Health Cooperative
Preliminary Rate Increase Justification for 2021
Small Group Market

Scope and Range of Rate Increase

Montana Health Cooperative (MHC) projects to have 409 insureds enrolled in the Small Group market. Before federal subsidies, the average annual change in premium for these individuals will be -6.3%. The requested rate change varies by product with the smallest average annual change of -9.3% for Co-op Plus Gold and the largest average annual change of -2.4% for Connected Care Bronze.

As of 04/2020, Montana Health Cooperative (MHC) has 426 insureds enrolled who will be affected by 2021 Small Group Market rate changes if they continue their coverage. Before federal subsidies, the average annual change in premium for these individuals will be -4.1%. The requested rate change varies by product with the smallest average annual change of -12.5% for Connected Care Silver and the largest average annual change of 10.7% for Connected Care Bronze Plus. These percent increases vary from those in the previous paragraph due to a difference in counts used to calculate the averages.

2021 Rate Impact by Quarter Montana Health CO-OP				
Quarter	Lives	Average	Min	Max
Q1	298	-4.3%	-11.7%	4.0%
Q2	23	-3.1%	-12.3%	3.4%
Q3	53	-8.5%	-12.5%	2.7%
Q4	38	5.5%	-4.7%	10.7%
Annual	412	-4.1%	-12.5%	10.7%

Financial Experience of Product

The Small Group market financial experience for calendar year 2019 was as follows:

- Premiums Earned before Risk Adjustment: \$1.6 million
- Incurred Claims after CSR: \$0.9 million
- Member Months: 2,118

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 4.7%. This number has been calculated based on proprietary Milliman data and research and is broken out into the various contributing components of inflation and utilization. Inflation represents a direct increase in the cost of particular services due to any number of causes. The utilization represents an increase in the use of services and is independent of change in utilization for changes in the risk pool or plan designs.

Changes in Benefits

Benefits offered have not changed significantly from the prior year.

Administrative Cost and Anticipated Margins

The 2021 rates are made up of the following components, which are similar to the prior year:

- Claims: 78.2%
- Risk Adjuster Paid: 0.0%
- Administrative Costs: 12.9%
- Federal Taxes and Fees: 0.9%
- Commissions: 5.0%
- Surplus, Profit, and Risk Margin: 3.0%