



# Proposed Rate Changes Montana 2019



# Individual Health Insurance

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- Proposed rate changes
- Cost drivers
- Administrative expenses
- Contribution to surplus

# Individual: Proposed Rate Changes

- Product portfolio changes
  - SmartHealth network will replace PSN in Flathead, Lake, and Lewis and Clark counties
  - Bronze deductibles will increase from \$6,550 to \$6,650
- Rate increases will vary by metal level and geographic location

## Individual: Proposed Rate Changes

Rating Area	2018 Network	2019 Network	Bronze	Silver	Gold
1	SmartHealth	SmartHealth	4.6%	7.5%	4.7%
2	PSN	PSN	6.3%	9.3%	6.5%
	PSN	SmartHealth	-1.7%	1.1%	-1.5%
3	SmartHealth	SmartHealth	7.9%	10.9%	8.0%
	PSN	SmartHealth	-0.2%	2.6%	-0.1%
4	PSN	PSN	7.9%	10.9%	8.0%
	SmartHealth	SmartHealth	7.9%	10.9%	8.0%

*Above rate increases do not include the impact of demographic changes.*

## Individual: Cost Drivers

Driver	Premium Impact
Claims trend	+6.6%
Experience and morbidity	+5.4%
Taxes and fees	-3.0%
Benefit and network	-2.7%
Administrative cost	+0.5%
Contribution to surplus	-0.4%
<b>Total</b>	<b>+6.2%</b>

## Individual: Administrative Expenses

Expense	2018 Filing Assumptions		2019 Filing Assumptions	
	PMPM	% of Premium	PMPM	% of Premium
General Administrative Expense	\$31.00	4.9%	\$32.50	4.9%
Health Improvement and Fraud Detection	\$3.31	0.5%	\$3.31	0.5%
Commissions	\$3.52	0.6%	\$5.36	0.8%
<b>Total</b>	<b>\$37.83</b>	<b>6.0%</b>	<b>\$41.18</b>	<b>6.2%</b>

## Individual: Contribution to Surplus

- PacificSource maintains a strong capital position in order to satisfy claims liabilities, to provide capital necessary to maintain and grow its ability to serve member accounts, and to offer competitively priced health policies in the communities that it serves.
- The proposed rate change is necessary to maintain rate stability and prevent future excessive rate increases. In this rate filing we are requesting a target pre-income tax margin of 3.0%. This margin will help us build and maintain strong capital reserves.

## Individual: Contribution to Surplus

Contribution to Surplus	2018 Filing Assumptions		2019 Filing Assumptions	
	PMPM	% of Premium	PMPM	% of Premium
Pre-Income Tax	\$21.33	3.4%	\$19.94	3.0%
Post-Income Tax	\$12.80	2.0%	\$14.76	2.2%

# Small Group Health Insurance

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- Proposed rate changes
- Cost drivers
- Administrative expenses
- Contribution to surplus

# Small Group: Proposed Rate Changes

- Product Portfolio Changes
  - SmartHealth network will be newly offered in Flathead, Lake, and Lewis and Clark counties
  - New HSA-qualified plans will be offered on PSN and SmartHealth Networks
  - Some plan-specific cost-sharing modifications
- Proposed quarterly trend is 1.7%
- Rate Increases will vary by plan, geographic location, and renewal quarter.

## Small Group: Plan Modifications

Plan Designs	Deductible	Primary Care Office Visit	Specialist Office Visit	Out-of-Pocket Maximum
Gold 1000	\$1000	<del>\$20</del> \$30	<del>\$50</del> \$60	\$5000
Gold 2000	\$2000	<del>\$20</del> \$30	<del>\$50</del> \$60	\$5000
Silver 3500	<del>\$3000</del> \$3500	<del>\$20</del> \$30	<del>\$50</del> \$60	\$7350
Silver 4000	\$4000	<del>\$20</del> \$30	<del>\$50</del> \$60	\$7350
Silver 5000	\$5000	<del>\$20</del> \$30	<del>\$50</del> \$60	\$7350
Bronze 7600	<del>\$7350</del> \$7600	<del>\$20</del> \$35	<del>\$20</del> Deductible	<del>\$7350</del> \$7600
Gold HSA 3000 (New)	\$3000	Deductible, then 0%		\$3000
Silver HSA 3000	<del>\$2700</del> \$3000	Deductible, then 20%		<del>\$6550</del> \$6650
Silver HSA 4000	<del>\$3600</del> \$4000	Deductible, then 0%		<del>\$3600</del> \$4000
Silver HSA 5400 (New)	\$5400	Deductible, then 0%		\$5400
Bronze HSA 5200	<del>\$4000</del> \$5200	Deductible, then 50%		<del>\$6550</del> \$6650
Bronze HSA 6650	<del>\$6550</del> \$6650	Deductible, then 0%		<del>\$6550</del> \$6650

## Small Group: Proposed Rate Changes

Rating Area	Bronze	Silver	Gold
1	2.9%	-2.3%	0.5%
2	4.3%	-0.8%	2.2%
3	5.9%	0.5%	3.7%
4	5.7%	0.6%	3.7%

*Above rate increases are averages and do not include the impact of demographic changes.*

- Rate increases will vary by benefit design and by renewal quarter.*
- Rate increases will not vary by network.*

## Small Group: Cost Drivers

Driver	Premium Impact
Claims trend	+6.2%
Taxes and fees	-3.4%
Benefits	-2.0%
Experience and morbidity	+1.0%
Administrative cost	+0.3%
Contribution to surplus	0.0%
<b>Total</b>	<b>+1.8%</b>

## Small Group: Administrative Expenses

Expense	2018 Filing Assumptions		2019 Filing Assumptions	
	PMPM	% of Premium	PMPM	% of Premium
General Administrative Expense	\$31.00	7.3%	\$32.50	7.8%
Health Improvement and Fraud Detection	\$3.31	0.8%	\$3.31	0.8%
Commissions	\$14.86	3.5%	\$14.67	3.5%
<b>Total</b>	<b>\$49.17</b>	<b>11.6%</b>	<b>\$50.48</b>	<b>12.1%</b>

## Small Group: Contribution to Surplus

- PacificSource maintains a strong capital position in order to satisfy claims liabilities, to provide capital necessary to maintain and grow its ability to serve member accounts, and to offer competitively priced health policies in the communities that it serves.
- The proposed rate change is necessary to maintain rate stability and prevent future excessive rate increases. In this rate filing we are requesting a target pre-income tax margin of 3.0%. This margin will help us build and maintain strong capital reserves.

## Small Group: Contribution to Surplus

Contribution to Surplus	2018 Filing Assumptions		2019 Filing Assumptions	
	PMPM	% of Premium	PMPM	% of Premium
Pre-Income Tax	\$12.76	3.0%	\$12.56	3.0%
Post-Income Tax	\$7.66	1.8%	\$9.29	2.2%