

**PacificSource Health Plans**  
**URR Part II**  
**Individual Health Benefit Plans**  
**Rate Effective Date 1/1/2019**

**Scope and Range of the Rate Increase**

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As of July 2018, there are 12,399 members that are potentially affected by the requested rate increase. Rate changes will range from a 2.0 percent decrease to a 10.6 percent increase, with a premium weighted average increase of 6.0 percent. The range in premium impacts is due to plan specific adjustments, changes in our proposed geographic factors, and changes to service areas.

The average rate change calculated in the Unified Rate Review Template (URRT) is approximately 7.7 percent, which is higher than the premium-weighted average of 6.0 percent. The URRT calculates the average rate change for members on renewing plans only. Thus, it does not take into account the effect of members in some counties being mapped from PSN plans to lower cost SmartHealth plans.

**Financial experience of the product**

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Over the calendar year 2017, the Montana Individual block earned an estimated 72.8 million dollars in risk adjusted premium and incurred an estimated 65.5 million dollars in claims, for a medical claims rate of 90.0 percent. With the proposed rate increase, PacificSource projects that the Montana Individual block will earn 99.7 million dollars in premium in 2019 and incur approximately 88.1 million dollars in claims, for a medical claims rate of 88.3 percent.

**Changes in Medical Service Costs**

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Medical service costs increase each year, and utilization of services also changes. To account for these changes, medical trend of 5.3 percent and drug trend of 8.2 percent are used.

**Changes in benefits**

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Some plans will see increases in deductibles or out-of-pocket maximums in 2019. These changes help offset the required premium increase.

**Administrative costs and anticipated margins**

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Administrative costs and anticipated margins do not have a significant effect on the rate increase. However, the moratorium of the Health Insurance Industry fee in 2019 reduces the rate increase.