

PacificSource Health Plans
Part II Justification for Proposed Rate Increase
Individual Health Benefit Plans
Rate Effective Date 1/1/2020

Scope and Range of the Rate Increase

There are approximately 11,500 members that are potentially affected by the requested rate change. Premium changes will range from negative 15.4 percent to negative 12.2 percent. The range in premium impacts is due to plan specific adjustments and changes in our proposed geographic factors. The average increase among members on renewing plans is negative 13.4 percent.

Financial experience of the product

Over the calendar year 2018, the Montana Individual block earned an estimated 92.5 million dollars in risk adjusted premium and incurred an estimated 71.4 million dollars in claims, for a medical claims rate of 77.2 percent. With the proposed rate increase, PacificSource projects that the Montana Individual block will earn 77.7 million dollars in premium in 2020 and incur approximately 63.7 million dollars in claims, for a medical claims rate of 82.0 percent.

Changes in Medical Service Costs

Medical service costs increase each year, and utilization of services also changes. To account for these changes, medical trend of 4.8 percent and drug trend of 9.4 percent are used.

Changes in benefits

Some plans will see increases in deductibles or out-of-pocket maximums in 2020. These changes help offset the required premium increase.

Administrative costs and anticipated margins

Administrative costs and anticipated margins do not have a significant effect on the rate increase. The return of the Health Insurance Industry fee adds to the rate change.

State reinsurance

The introduction of a state reinsurance program is the most significant driver of the rate decrease. The estimated impact of the reinsurance program, including the funding assessment as well as expected reinsurance receivables, is -9.1 percent.