

PacificSource Health Plans
URR Part II: Written Description Justifying the Rate Increase
Small Group Health Benefit Plans
Rate Effective Date 1/1/2019

Scope and range of the rate increase

As of July 2018, there are 19,260 members that are potentially affected by the requested 1.8 percent rate increase, with increases that range from negative 3.5 percent to 6.2 percent. The range in premium impacts is driven by changes in geographic factors, as well as plan specific adjustments. The average increase as calculated in the Unified Rate Review Template is also 1.8 percent.

Rate changes by renewal quarter are as follows:

Renewal Quarter	Member as of 7/31/2018	Average Rate Change	Minimum Rate Change	Maximum Rate Change
1	10,098	1.7%	-3.5%	6.2%
2	3,717	1.6%	-3.5%	6.2%
3	2,473	2.0%	-3.5%	6.2%
4	2,972	2.5%	-3.5%	6.2%
All quarters	19,260	1.8%	-3.5%	6.2%

Financial experience of the product

Over the calendar year 2017, the Montana Small Group block earned an estimated 61.6 million dollars in risk adjusted premium and incurred an estimated 50.7 million dollars in claims, for a medical claims rate of 82.3 percent. With the proposed rate increase, PacificSource projects that the Montana small group block will earn 97.4 million dollars in premium in 2019 and incur approximately 81.4 million dollars in claims, for a medical claims rate of 84.9 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 5.3 percent and drug trend of 8.2 percent are used.

Changes in benefits

Some plans will see increases in deductibles, copays, or out-of-pocket maximums in 2019. These benefit changes are in part to comply with federal regulations that the actuarial value of each plan be within a specified range for each metal level.

Administrative costs and anticipated margins

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