

PacificSource Health Plans
URR Part II: Written Description Justifying the Rate Increase
Small Group Health Benefit Plans
Rate Effective Date 1/1/2020

Scope and range of the rate increase

There are approximately 20,000 members that are potentially affected by the requested 7.4 percent rate increase, with increases that range from 4.8 percent to 10.1 percent. The range in premium impacts is driven by changes in geographic factors, as well as plan specific adjustments.

Financial experience of the product

Over the calendar year 2018, the Montana Small Group block earned an estimated 88.3 million dollars in risk adjusted premium and incurred an estimated 74.2 million dollars in claims, for a medical claims rate of 84.0 percent. With the proposed rate increase, PacificSource projects that the Montana small group block will earn 106.0 million dollars in premium in 2020 and incur approximately 88.3 million dollars in claims, for a medical claims rate of 83.3 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, copays, or out-of-pocket maximums in 2020. 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 do not have significant effect on the rate change. Target margin has been reduced, lowering the rate change. The return of the Health Insurance Industry Fee and the introduction of a state reinsurance fee add to the overall rate increase.