

Part II Justification for Proposed Rate Increase
WMI Mutual Insurance Company (WMI)
Small Group Market
Rate Effective Date 1/1/2017

Section I: Scope and Range of the Rate Increase

For the 2017 plan year, WMI is renewing four plans (bronze, silver 1, silver 2 and gold 2) and terminating eight plans (gold 1, gold 3, gold 4, platinum 1, platinum 2, platinum 3, platinum 4 and platinum 5) under HIOS product ID 45632MT006. The terminating plans will be mapped to the renewing gold 2 plan. Currently, there are no individuals enrolled on any metal plans, therefore, the following rates are expressed as averages, rather than as the specific rate change for each plan.

The average rate change for the renewing plans is a 6% increase. The average rate change for the terminating plans that will be mapped to a plan in the same metallic tier is a 3.36% increase. The average rate change for the terminating plans that will be mapped to a plan that is not in the same metallic tier is a -7.14% decrease. The average rate change for all plans combined is .74%. These rate changes apply to all quarters of the year. For renewing plans, the minimum rate change is an increase of 5.5% and the maximum rate change is an increase of 7.1%. For all plans combined, the minimum rate change is a decrease of -8.9% and the maximum rate change is an increase of 7.1%.

Other changes in allowable rating factors such as age may also impact the premium amount and varies by individual. Rates are the same for all geographic areas of the state.

Section II: Most Significant Factors Affecting the Rate Increase

Average medical trend, consisting of inpatient hospital, outpatient hospital, and physician services, along with utilization trend is calculated at 6.6%. Average prescription drug trend, along with utilization trend, is calculated at 11.2%. It is anticipated that the use of physician services for chronic conditions will continue to increase based on easier access to primary care with lower cost-sharing. Utilization of prescriptions for chronic conditions is also expected to increase, especially the use of specialty prescriptions. The costs of such specialty drugs have proliferated. As premiums must be sufficient to cover claims and administrative costs, and due to anticipated medical trend, the increase is necessary.

There are no benefit changes that affect the rate increase.

Section III: Financial Experience

For ACA-compliant metal plans during 2015, WMI had written premium of \$171,125 and paid claims in the amount of \$75,451, resulting in a loss ratio of 56%. The target loss ratio for these small group plans is 80%.

Section IV: Administrative Costs and Anticipated Profits

The percent of premium spent on claims during 2015 is 44%. The total percentage of the rate increase that is allocated for administrative costs is 16% (rounded) and is broken out as follows: 1.13% for PPO network access fees, .5% for utilization management, 2.9% for marketing costs/agent commissions, and 11.92% for general administration (overhead costs and salaries). Taxes and fees account for 1.75% of premium. Profit and risk margin has been set at 2.25% of premium.