

**Part II Justification for Proposed Rate Increase
Montana Health Cooperative (MHC)
Small Group Market
Effective January 1, 2017**

Section I: Scope and Range of the Proposed Rate Increase

- The average rate change from 2016 Q1 to 2017 Q1 is an increase of 3%. Similarly the average increase from 2016 Q2, Q3, and Q4 to 2017 Q2, Q3, and Q4 respectively is 3%. The maximum change is an increase of 8% and the minimum change is a decrease of 8%. Other changes in allowable rating factors such as age and tobacco use may also impact the premium amount and varies by individual.
- The average Access Care rate change was an increase 5%, and the average Connected Care rate change was an increase of 2%. Other changes in allowable rating factors such as age and tobacco use may also impact the premium amount and varies by individual.
- MHC has approximately 1,000 insureds enrolled who will be affected by 2017 Small Group Market rate changes.

Section II: Most Significant Factors Affecting the Rate Changes

- The annual aggregate medical and Rx claims trend used in developing 2017 rates was 8%. Rx Trend was 11% and medical trend was 8%.
- There were no changes in benefits being offered. Plan designs were adjusted with assumed medical and Rx trend so that there was no significant impact on the rates due to plan design changes.
- Average allowed costs represent all claims paid by MHC and MHC's members for services covered by MHC's plans. MHC's average allowed medical costs increased by 3% from the 2014 experience period used in 2016 pricing to the 2015 experience period used for 2017 pricing.

Section III: Financial Experience

The individual market financial experience for calendar year 2015 was as follows:

Premiums Earned:	\$7.0 million
Incurred Claims:	\$8.2 million
Pure loss ratio:	117%
Target Loss Ratio for 2017:	84%
Target MLR for 2017:	92%
Member Months:	16,359

The rate changes will increase premiums to levels that are expected to be adequate to cover incurred claims and expenses.

Section IV: Administrative costs and Anticipated Profits

The 2017 rates are made up of the following components:

- Claims: 84%
- Risk Adjuster Paid: 0%
- Administrative Costs: 13%
- Federal Taxes and Fees: 0%
- Contributions to Surplus, Profit, and Risk Margin: 3%