

This filing requests an increase of 17.0% over the Idaho Individual pre-ACA rates approved for December 2013. Year over year rate impacts will range from 17.0% to 20.1%, with a premium-weighted average of 18.0%. The proposed rates are based on PacificSource's historical Idaho Individual claims experience restricted policies eligible to renew on a transitional plan and adjusted for expected medical trend, changed in demographic mix, and changes in benefit mix. The proposed rates also reflect changes in the taxes and fees imposed on health insurers for 2015. The increase in rates from our prior filing is primarily driven by trend and changes in expenses.

The combined medical and pharmacy annual trend used in this filing is 10.9%, which reflects expected changes in costs, changes in utilization, and the impact of leveraging. The last rating adjustment was intended to provide adequate premium for a December 2013-November 2014 policy year, and thus nearly a full year of trend is necessary to produce adequate rates for policy years beginning in the fourth quarter of 2014.

Our prior filing included per member per month administrative expenses of \$21.00. With this filing we are budgeting \$24.00 per member per month. Rates established in 2013 were developed using prorated Health Insurance Industry and Reinsurance fees based on the expected member months falling in 2014, when the fee applied. This filing requires premium to cover this fee for all months of coverage. Additionally, Idaho imposes an Immunization assessment annually and the expected per member per month value of this assessment is projected to go up significantly versus the projected amount in the prior filing.

Over the period from March 2013 through February 2014, the Idaho Individual block earned \$28.0 million in premium and incurred an estimated \$27.0 million in claims, for a medical claims rate of 96.4%. Combined administrative expenses, commissions, taxes, and assessments were approximately 24.2% of premium, meaning the total expenses were approximately 120.5% of premium.

PacificSource projects that the Idaho Individual transitional block will earn \$7.1 million in premium in 2015 and incur approximately \$5.0 million in claims, for a medical claims rate of 71.0%. Combined administrative expenses, commissions, taxes, and assessments are projected to be 26.0% of premium, leaving 3.0% of premium for contributions to reserves.