

**Mountain Health CO-OP  
Preliminary Rate Increase Justification for 2017  
Individual Health Benefit Plans**

**Rate Change**

Mountain Health CO-OP (MHC) has 16,281 insureds enrolled who will be affected by 2017 Individual Market rate changes if they continue their coverage. Before federal subsidies, the average increase in premium for these individuals will be 22%. The requested rate increase varies by product with a smallest average increase in Link (20.1%) and the largest average increase in Access Care (25.7%).

**Most Significant Factors**

The rate change described above is driven by the following factors.

*Change in Morbidity & Mix from 2016 to 2017*

Morbidity refers to the relative difference in utilization of healthcare services between one population and another for reasons unrelated to plan design or management of care. This is often times referred to as the risk of the population or risk pool. Based on MHC's 2015 experience, and after adjusting for MHC's anticipated plan/product mix, the single risk pool morbidity assumption increased by 15%.

*End of Federal Transitional Reinsurance*

The federal transitional reinsurance program is a temporary program that ends in 2016. Since this program is not expected to continue in 2017, we assume that reinsurance contributions and reinsurance recoveries will be zero. This increases premiums by approximately 3%.

**Financial Experience**

MHC commenced operations in Idaho on January 1, 2015. The individual market financial experience for calendar year 2015 was as follows:

Premiums Earned before risk adjustment:	\$53.7 million
Incurred Claims after CSR:	\$69.1 million
Member Months:	216,167

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

**Key Assumptions**

The annual cost trends used in developing the 2017 rates:

- **Medical:** 4.7%
- **Drug:** 8.1%

Medical service costs are constantly changing. MHC is assuming an overall allowed cost trend of 5%. This number has been calculated based on proprietary Milliman data and research and is broken out into the

various contributing components of inflation and utilization. Inflation represents a direct increase in the cost of particular services due to any number of causes. The utilization represents an increase in the use of services and is independent of change in utilization for changes in the risk pool or plan designs.

The 2017 rates are made up of the following components:

- Claims: 82%
- Risk Adjuster Paid: 1%
- Administrative Costs: 10%
- Federal Taxes and Fees: 3%
- Commissions: 2%
- Contributions to Surplus, Profit, and Risk Margin: 2%