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## **SelectHealth Preliminary Rate Increase Justification for 2017 Individual Health Benefit Plans**

### **Rate Change**

Along with the majority of health insurance plans across the nation, SelectHealth has experienced significant medical expenses in recent years. As a result, our 2017 requested average rate increase is 34.9 percent when compared to 2016 rates. The actual rate change varies by selected benefit plan and geographic area. The average increase in the Boise area is 32.3 percent and varies from 20 percent for the Catastrophic plan to 30-38 percent for the metal level plans. The area factors impact the total increase by an additional 2-6% in rating areas 1 through 3 and 12% in rating area 7.

### **Most Significant Factors**

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

1. Reduction of Reinsurance and Risk Corridor funds: 23%
2. The composition of the single risk pool: 16%
3. Changes to benefits: -4%

The total of the above factors sum to the total average rate increase listed above. 1) The ACA regulations no longer provide Reinsurance or Risk Corridor protection as of January 2017. This corresponds to a large increase in premium rates for 2017, noting that prior Risk Corridor payments were inadequately funded. 2) The claims experience and health risk for the ACA risk pool continues to be higher than projected. Pharmacy costs are rapidly escalating. Additional factors leading to this increase are the extension of Transition Relief policies and Special Enrollment Periods. 3) There are some minor benefit changes resulting in an offset to the rate increase.

### **Financial Experience**

For 2015, the average premium per member per month was \$291. The average paid claims per member per month was \$522.



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### **Key Assumptions**

The annual cost trends used in developing the 2017 rates:

- Medical: -3.8%
- Drug: 5.1%

With the 2015 claims experience at a high level the medical trends are expected to decrease slightly while pharmacy trends are expected to increase.

The 2017 rates are made up of the following components:

- Claims: 82.8%
- Administrative Costs: 7.7%
- Federal Taxes and fees: 2.5%
- States taxes and fees: 1.7%
- Commissions: 2.3%
- Contribution to surplus, profit, and risk margin to account for variability of claims: 3.0%