

Part II Rate Increase Justification

Mountain Health CO-OP
Preliminary Rate Increase Justification for 2018
Individual Market Health Benefit Plans

Rate Change

Mountain Health CO-OP (MHC) has 13,352 insureds enrolled who will be affected by 2018 Individual Market rate changes if they continue their coverage. Before federal subsidies, the average change in premium for these individuals will be 25%. The requested rate change varies by product with the smallest average change of -10% for Access Care Catastrophic and the largest average change of 33% for Engage Silver.

Most Significant Factors

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

Uncertainty Regarding Cost Sharing Reduction Payments

The Idaho DOI has requested that all carriers file rates assuming that the federal government will not make CSR payments for 2018 enrollments. This increases premiums by approximately 17%.

Change in Morbidity & Mix from 2017 to 2018

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 2016 experience, and after adjusting for MHC's anticipated plan/product mix, the single risk pool morbidity assumption increased by 5%.

The remaining 3% increase in premium is due to changes in benefit relativities, non-benefit expenses, and taxes and fees.

Financial Experience

The Individual market financial experience for calendar year 2016 was as follows:

- | | |
|---|----------------|
| • Premiums Earned before Risk Adjustment: | \$58.9 million |
| • Incurred Claims after CSR: | \$56.3 million |
| • Member Months: | 185,420 |

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 2018 rates:

- Medical: 4.1%
- Drug: 7.0%

Medical service costs are constantly changing. MHC is assuming an overall allowed cost trend of 4.7%. 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 2018 rates are made up of the following components, which are similar to the prior year:

- | | |
|-------------------------------------|-----|
| • Claims: | 76% |
| • Risk Adjuster Paid: | 6% |
| • Administrative Costs: | 9% |
| • Federal Taxes and Fees: | 4% |
| • Commissions: | 1% |
| • Surplus, Profit, and Risk Margin: | 3% |