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SelectHealth Preliminary Rate Increase Justification for 2018 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 2018 requested average rate increase is 25 percent when compared to 2017 rates, along with an increase to Silver plans to cover CSR coverage bringing the average to 45%. The actual rate change varies by selected benefit plan and geographic area.

Most Significant Factors

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

1. The composition of the single risk pool: 47%
2. Changes to benefits: -2%

The total of the above factors sum to the total average rate increase listed above. 1) 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 Cost Sharing Reduction uncertainty. 2) Benefit changes are occurring for 2018 resulting in an offset to the rate increase.

Financial Experience

For 2016, the average premium per member per month was \$323. The average paid claims per member per month was \$471.



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Key Assumptions

The annual cost trends used in developing the 2018 rates:

- Medical: 8%
- Drug: 9%

With the 2016 claims experience at a high level the projected medical trends are expected to be moderate.

The 2018 rates are made up of the following components:

- Claims: 85.6%
- Administrative Costs: 5.3%
- Federal Taxes and fees: 2.9%
- States taxes and fees: 1.7%
- Commissions: 1.6%
- Contribution to surplus, profit, and risk margin to account for variability of claims: 3.0%