

## Part II Rate Increase Justification

Mountain Health CO-OP  
Preliminary Rate Increase Justification for 2019  
Individual Market Health Benefit Plans

### Rate Change

Mountain Health CO-OP (MHC) has 23,952 insureds enrolled who will be affected by 2019 Individual Market rate changes if they continue their coverage. Before federal subsidies, the average change in premium for these individuals will be 23%. The requested rate change varies by product with the smallest average change of 15% for Access Care Gold and the largest average change of 72% for Access Care Catastrophic. The following tables show the average rate change by product, metal, and area.

Rate Change by Product 2018 to 2019 Individual Market Mountain Health CO-OP	
<u>Product</u>	<u>Avg Rate Change</u>
Link	23%
Access Care	23%
Engage	19%

Rate Change by Metal 2018 to 2019 Individual Market Mountain Health CO-OP	
<u>Metal</u>	<u>Avg Rate Change</u>
Gold	16%
Silver	24%
Bronze	18%
Catastrophic	68%

Rate Change by Area 2018 to 2019 Individual Market Mountain Health CO-OP	
<u>Area</u>	<u>Avg Rate Change</u>
Area 1	19%
Area 2	52%
Area 3	25%
Area 4	42%
Area 5	19%
Area 6	25%

### Most Significant Factors

In addition to trend, the rate change described above is driven by the following factors.

#### Estimated Risk Adjustment Transfer

Based on their 2017 risk adjustment transfer, MHC is anticipating a larger payable in 2019 than they have assumed in the past. This increases premiums by approximately 6%.

#### Change in Morbidity & Mix from 2018 to 2019

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 2017 experience, and after adjusting for MHC's anticipated plan/product mix, the single risk pool morbidity assumption increased by 8%.

The remaining 9% increase in premium is due to trend as well as changes in benefit relativities, non-benefit expenses, and taxes and fees.

### Financial Experience

The Individual market financial experience for calendar year 2017 was as follows:

- Premiums Earned before Risk Adjustment: \$60.5 million
- Incurred Claims after CSR: \$49.5 million
- Member Months: 150,701

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 2019 rates:

- Medical: 7.0%
- Drug: 11.6%

Medical service costs are constantly changing. MHC is assuming an overall allowed cost trend of 7.9%. 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 2019 rates are made up of the following components, which are similar to the prior year:

- |                                     |     |
|-------------------------------------|-----|
| • Claims:                           | 74% |
| • Risk Adjuster Paid:               | 12% |
| • Administrative Costs:             | 5%  |
| • Federal Taxes and Fees:           | 4%  |
| • Commissions:                      | 1%  |
| • Surplus, Profit, and Risk Margin: | 3%  |