Rate Setting Policy

Proposed

Overview:

- A Plan-Wide Risk Determination using the 36-month medical coverage cost experience plus proposed cost inflation of groups continuing participation will be determined, to include one-off high-cost claims.
- With an additional 1.5% will be added to fund reserve growth.
- A minimum annual increase floor of 5% shall be enforced.
- A Base Needed Increase will be determined (See Base Needed Increase Determination below).
- Any proposed increase (minus the 1.5% reserve component) will, at a minimum, equal the Small-Group Super-Group Risk Determination.
- All non-small groups with more than 25 members will have receive a risk determination, called Non-Small Group Risk Determination.
- This will be categorized into one of 7 Group Risk Corridors based on their risk determination.
- Non-Small Group Risk Determination will be calculated using the 36-month look-back method, minus one-off high-cost claims.

Small-Group Super-Group Risk Determination:

- The Small-Group Super-Group will be comprised of all groups of 1 – 25 members, forming a single super group.
- This is necessary for the purposes determining actuarial risk.
- The Small-Group Super-Group's Risk Determination will use a 36-month look-back of actual medical claims performance (including one-off high-cost claims) of each small group against the premium paid, forming a risk score for each small group.
- The combined risk scores of all small groups will then be divided by the total number of members covered from all small groups, resulting in a per member risk score.
- This per member risk score will be called the Small-Group Super-Group Risk Determination.

Small-Group Super-Group Risk Determination - Calculation Example:

Group	Members	Risk
Small Group A	11	-13%
Small Group B	5	115%
Small Group C	2	34%
Small Group D	6	-3%
Small Group E	9	5%
Small Group F	3	-9%
6	**36**	**129%**
	Per Member	**3.6%**

Base Needed Increase Determination - Examples:

Example 1:

Plan-Wide Risk Determination is larger than Small-Group Super-Group Risk Determination or 5% minimum

- Plan-Wide Risk Determination (not including the 1.5% reserve component) is 7.0%.
- Small-Group Super-Group Risk Determination is 3.6% (not including the 1.5% reserve component).
- Base Needed Increase would be 8.5% (7.0% + 1.5% reserve component).

Example 2:

Small-Group Super-Group Risk Determination is larger than Plan-Wide Risk Determination or 5% minimum

- Plan-Wide Risk Determination (not including the 1.5% reserve component) is 2.5%.
- Small-Group Super-Group Risk Determination is 3.6% (not including the 1.5% reserve component).
- Base Needed Increase would be 5.1% (3.6% +1.5% reserve component).

Example 3:

5% minimum is larger than Plan-Wide Risk Determination or Small-Group Super-Group Risk Determination

- Plan-Wide Risk Determination (not including the 1.5% reserve component) is 2.5%.
- Small-Group Super-Group Risk Determination is 2.5% (not including the 1.5% reserve component).

- Base Needed Increase would be 5.0% (minimum includes 1.5% reserve component).

Non-Small Group Risk Corridors:

Risk Corridor	Risk From	Risk Scores To	Risk Corridor Impact
None	N/A	-1%	0%
Neutral	-1%	Base	0%
Nominal	Base + 0.1%	Base + 4.9%	0%
Low	Base + 5.0%	Base + 9.9%	2.5%
Medium	Base + 10.0%	Base + 14.9%	5.0%
High	Base + 15.0%	Base + 24.9%	10.0%
Catastrophic	Base + 25.0%	& Up	Asked to Leave

Non-Small Group Risk Corridor Determination Example:

Group	Risk	Base Increase	Risk after Base	Risk Corridor	Total Impact
Base Needed Increase	5.1%	5.1%	0%	N/A	5.1%
Small-Group Super-Group	3.6%	5.1%	-1.5%	N/A	5.1%
Group A	34.0%	5.1%	28.9%	Catastrophic	Asked to Leave
Group B	-3.0%	5.1%	-8.1%	None	5.1%
Group C	5.0%	5.1%	-0.1%	Neutral	5.1%
Group D	-9.0%	5.1%	-14.1%	None	5.1%
Group E	19.0%	5.1%	13.9%	Medium	5.1% + 5.0%
Group F	84.0%	5.1%	78.9%	Catastrophic	Asked to Leave
Group G	5.4%	5.1%	0.3%	Nominal	5.1%
Group H	10.8%	5.1%	5.7%	Low	5.1% + 2.5%
Group I	20.4%	5.1%	15.3%	High	5.1% + 10.0%

Questions:

Do we want to rate purely on 36-month prior risk for non-small groups, i.e. include high-cost claims?
Does this method account for the blended Base Needed Increase?
Are we happy with the placement of the Catastrophic window?
Should risk be determined on pure risk or difference between plan-wide risk?