

## **Part II**

### **Piedmont Community HealthCare HMO, Inc.'s (PCHC) explanation of rate increase**

#### **Scope and Range of Rate Increase**

Piedmont Community HealthCare HMO, Inc. (PCHC) is requesting an overall average rate increase of 17.4% across all plans for the Individual PPO ACA product effective January 1, 2017. The proposed average 2017 rate increase which averages 17.4% consists of the following benefit plans and is based on projected membership in 2017 averaging 1,719 monthly members.

- Gold Preferred 950/30/50 HMO - 12.2%
- Gold Preferred 1200/25/50 HMO - 12.5%
- Silver Preferred 3200/35/60 HMO - 15.8%
- Silver Preferred 3800/40/65 HMO - 15.8%
- Silver Basic 2500 HMO - 16.9%
- Bronze 5250 HMO - 19.6%
- Bronze 6200 HMO - 18.8%
- Catastrophic 7150 HMO - -12.8%
- Bronze HSA 5000 HMO - 19.9%
- Bronze HSA 6000 HMO - 20.6%
- Silver Standard 3500/30/65 HMO – (New in 2017)
- Bronze Standard 6650 HMO – (New in 2017)
- Overall Weighted Average: 17.4%

#### **Financial Experience of Product**

PCHC HMO did not have any experience in 2015 since it only began selling policies in 2016.

#### **Change in Medical Cost Services**

PCHC HMO's 2017 premium rates were developed using PCHC's PPO as a manual rate. 2015 was the first year of experience for PCHC's Individual PPO plans. Comparing the actual PPO experience to the underlying manual rate used in PPO pricing, there is a significant difference in the utilization of services between the two populations. Overall, in the PPO ACA block, we are seeing a large number of high dollar claimants, more use of specialty drugs and overall higher service utilization. This difference in the manual rate used in PCHC's HMO pricing is driving the rate increase for 2017.

With medical and prescription drug trends anticipated to range from 7% to 8% per year through 2016 and 2017 (before the impact of deductible leveraging and any induced utilization), this increase in overall medical and pharmacy care costs offsets the approved average increase of approximately 6.3% overall in premium rates for 2016 further impacting the MLR.

### **Change in Benefits**

A detailed description of the change in benefits by plan can be found in the Part III actuarial memorandum. From a high level, the 2017 benefit changes were designed to keep the applicable plans compliant with the Actuarial Value Calculator and offset some impacts of fixed dollar cost sharing leveraging.

### **Administrative Cost and Anticipated Profit**

Overall, administrative costs are expected to be slightly higher from 2016 to 2017 on a PMPM basis. This is caused by the percent of premium administrative expense converting to a higher PMPM when the total premium increases. PCHC is requesting a 2.25% profit for 2017. This is the first time PCHC has requested a profit in the HMO Individual ACA market.