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**CALIFORNIA DEPARTMENT OF  
MANAGED HEALTH CARE**

**Presented by:**

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# Agenda

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**Rate Increase Comparison**

**Rate Increase Drivers**

**Final Premium Rate Components**

**Number of Carriers Per Rating Area on Exchange**

**Risk Adjustment**

# States Included in Analysis

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California
Georgia
Illinois
Iowa
New Jersey
Pennsylvania
Virginia



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**AVERAGE RATE INCREASES BY  
STATE**

# Average Carrier Rate Increase by State: 2017 Individual Market

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<b>State</b>	<b>Weighted Avg</b>	<b>Minimum</b>	<b>Maximum</b>
A	47%	0.0%	51%
B	27%	19.9%	55%
C	24%	0.0%	68%
D	19%	0.0%	38%
E	17%	0.0%	38%
F	15%	-0.1%	50%
California	13%	0.9%	19%

\* Company identifiers will not be the same from slide to slide to protect the confidentiality of the states included

# Average Carrier Rate Increase by State: 2017 Small Group Market

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<b>State</b>	<b>Weighted Avg</b>	<b>Minimum</b>	<b>Maximum</b>
A	11%	5.6%	18%
B	10%	-5.8%	26%
C	9%	-6.0%	32%
D	8%	0.6%	23%
E	8%	-5.0%	14%
F	7%	0.2%	19%
California	4%	-3.0%	16%

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**AVERAGE RATE INCREASES BY  
STATE AND BY METAL LEVEL**

# Individual Market – Bronze Tier

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<b>Company</b>	<b>Weighted Avg</b>	<b>Minimum</b>	<b>Maximum</b>
A	56%	17%	77%
B	37%	3%	54%
C	31%	9%	53%
D	23%	1%	38%
E	21%	9%	58%
California	10%	-2%	22%
F	7%	-10%	44%

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# Individual Market – Silver Tier

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<b>Company</b>	<b>Weighted Avg</b>	<b>Minimum</b>	<b>Maximum</b>
A	47%	8%	69%
B	32%	4%	46%
C	30%	10%	54%
D	26%	10%	71%
California	14%	1%	25%
E	13%	0%	25%
F	8%	1%	31%

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# Individual Market – Gold Tier

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<b>Company</b>	<b>Weighted Avg</b>	<b>Minimum</b>	<b>Maximum</b>
A	54%	0%	67%
B	35%	6%	50%
C	34%	23%	58%
D	24%	3%	54%
E	17%	9%	52%
California	15%	1%	26%
F	13%	0%	33%

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# Individual Market – Platinum Tier

11

<b>Company</b>	<b>Weighted Avg</b>	<b>Minimum</b>	<b>Maximum</b>
A	59%	0%	67%
B	41%	40%	49%
C	19%	18%	20%
California	15%	1%	28%
D	6%	6%	6%

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# Small Group Market – Bronze Tier

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<b>Company</b>	<b>Weighted Avg</b>	<b>Minimum</b>	<b>Maximum</b>
A	22%	-3%	26%
B	12%	-1%	13%
C	11%	-1%	27%
D	11%	0%	46%
E	9%	-11%	44%
F	9%	-4%	21%
California	4%	-4%	74%

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# Small Group Market – Silver Tier

13

<b>Company</b>	<b>Weighted Avg</b>	<b>Minimum</b>	<b>Maximum</b>
A	18%	-2%	38%
B	16%	-33%	31%
C	12%	-3%	16%
D	11%	-7%	42%
E	10%	-6%	27%
F	5%	-7%	20%
California	3%	-11%	74%

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# Small Group Market – Gold Tier

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<b>Company</b>	<b>Weighted Avg</b>	<b>Minimum</b>	<b>Maximum</b>
A	14%	-22%	59%
B	12%	1%	42%
C	9%	0%	20%
D	9%	-4%	16%
E	7%	-8%	39%
California	4%	-16%	76%
F	4%	-13%	20%

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# Small Group Market – Platinum Tier

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<b>Company</b>	<b>Weighted Avg</b>	<b>Minimum</b>	<b>Maximum</b>
A	10%	-1%	18%
B	9%	0%	24%
C	7%	-5%	16%
D	6%	-4%	23%
E	5%	-7%	49%
California	4%	-7%	69%
F	-7%	-13%	23%

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## **RATE INCREASES DRIVERS**



# Carrier Explanations of Increases 15% or More

1.	Medical Unit Cost and Utilization Trend
2.	Changes in Non-Benefit Expenses
3.	Worsening Morbidity
4.	End of Reinsurance
4.	Plan Design Changes
6.	Experience Worse than Projected
7.	Provider Network and Contract Changes
8.	Risk Adjustment
9.	Rx Trend
10.	Demographic Changes
11.	Plan Mix Changes
12.	Changes to Induced Utilization



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**TREND COMPARISON**

# Individual Trend Comparison

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<b>Company</b>	<b>Total Medical Trend</b>	<b>Total Rx Trend</b>	<b>Total Trend</b>
A	1.088	1.119	1.094
B	1.080	1.098	1.083
C	1.068	1.108	1.076
California	1.057	1.100	1.063
D	1.051	1.096	1.060
E	1.044	1.119	1.058
F	1.030	1.074	1.040

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# Small Group Trend Comparison

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<b>Company</b>	<b>Total Medical Trend</b>	<b>Total Rx Trend</b>	<b>Total Trend</b>
A	1.077	1.104	1.083
B	1.069	1.110	1.077
C	1.056	1.155	1.075
D	1.057	1.097	1.067
E	1.066	1.067	1.066
F	1.054	1.088	1.062
California	1.045	1.104	1.055

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## **NON-BENEFIT EXPENSE COMPARISON**

## Projected Profit: Individual Market

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<b>Company</b>	<b>Profit % of Premium</b>	<b>Profit PMPM</b>
A	4.5%	\$20.98
B	3.9%	\$16.79
C	3.4%	\$18.25
D	3.3%	\$14.16
E	1.6%	\$9.04
California	1.4%	\$6.11
F	1.3%	\$7.13

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# Projected Profit: Small Group Market

23

<b>Company</b>	<b>Profit % of Premium</b>	<b>Profit PMPM</b>
A	3.9%	\$20.25
B	3.8%	\$17.50
C	3.7%	\$17.78
D	2.9%	\$16.14
E	2.8%	\$11.96
F	2.3%	\$12.76
California	1.8%	\$8.92

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**AGE-21 RATE COMPARISON BY  
MARKET AND BY METAL LEVEL**

**ADJUSTED BY COST OF LIVING**



# Individual Market – Bronze Tier

25

	<b>Average</b>	<b>Minimum</b>	<b>Maximum</b>
A	\$337.30	\$197.54	\$465.07
B	\$318.20	\$184.29	\$516.87
C	\$299.26	\$185.27	\$437.90
D	\$283.22	\$177.29	\$443.41
E	\$277.63	\$184.90	\$405.77
F	\$265.79	\$186.06	\$332.15
California	\$177.55	\$113.05	\$266.17
<b>All States</b>	<b>\$279.85</b>	<b>\$113.05</b>	<b>\$516.87</b>

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# Individual Market – Silver Tier

26

	<b>Average</b>	<b>Minimum</b>	<b>Maximum</b>
A	\$402.05	\$235.47	\$563.86
B	\$343.76	\$205.54	\$535.12
C	\$324.49	\$201.09	\$512.79
D	\$320.01	\$216.65	\$495.42
E	\$317.10	\$230.07	\$407.84
F	\$307.31	\$223.86	\$473.63
California	\$227.55	\$143.38	\$406.27
<b>All States</b>	<b>\$320.32</b>	<b>\$143.38</b>	<b>\$563.86</b>

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# Individual Market – Gold Tier

27

	<b>Average</b>	<b>Minimum</b>	<b>Maximum</b>
A	\$514.71	\$315.51	\$680.75
B	\$459.33	\$288.20	\$623.41
C	\$445.93	\$275.59	\$606.88
D	\$442.29	\$331.87	\$610.30
E	\$391.31	\$275.09	\$483.43
F	\$366.55	\$296.32	\$462.75
California	\$277.16	\$161.84	\$497.20
<b>All States</b>	<b>\$413.90</b>	<b>\$161.84</b>	<b>\$680.75</b>

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# Individual Market – Platinum Tier

28

	<b>Average</b>	<b>Minimum</b>	<b>Maximum</b>
A	\$561.98	\$561.98	\$561.98
B	\$425.29	\$338.54	\$500.60
C	\$361.28	\$361.28	\$361.28
California	\$328.73	\$187.02	\$598.76
<b>All States</b>	<b>\$419.32</b>	<b>\$187.02</b>	<b>\$598.76</b>

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# Small Group Market – Bronze Tier

29

	<b>Average</b>	<b>Minimum</b>	<b>Maximum</b>
A	\$311.97	\$145.20	\$574.43
B	\$302.19	\$222.96	\$430.21
C	\$253.10	\$165.75	\$422.48
D	\$252.76	\$167.02	\$328.20
E	\$244.96	\$175.59	\$325.74
F	\$220.80	\$112.35	\$390.11
California	\$173.87	\$126.03	\$301.35
<b>All States</b>	<b>\$251.38</b>	<b>\$112.35</b>	<b>\$574.43</b>

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# Small Group Market – Silver Tier

30

	<b>Average</b>	<b>Minimum</b>	<b>Maximum</b>
A	\$391.31	\$255.74	\$1,370.36
B	\$376.81	\$152.16	\$857.60
C	\$308.68	\$180.66	\$503.88
D	\$308.39	\$193.52	\$655.95
E	\$304.58	\$205.95	\$535.31
F	\$287.09	\$144.21	\$593.71
California	\$222.03	\$147.84	\$410.99
<b>All States</b>	<b>\$314.13</b>	<b>\$144.21</b>	<b>\$1,370.36</b>

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# Small Group Market – Gold Tier

31

	<b>Average</b>	<b>Minimum</b>	<b>Maximum</b>
A	\$437.95	\$308.87	\$662.89
B	\$427.97	\$175.50	\$956.16
C	\$372.56	\$284.75	\$609.55
D	\$369.02	\$232.64	\$748.33
E	\$357.71	\$252.96	\$556.82
F	\$336.47	\$147.72	\$597.64
California	\$258.62	\$163.70	\$474.62
<b>All States</b>	<b>\$365.76</b>	<b>\$147.72</b>	<b>\$956.16</b>

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# Small Group Market – Platinum Tier

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	<b>Average</b>	<b>Minimum</b>	<b>Maximum</b>
A	\$473.30	\$257.25	\$832.89
B	\$470.89	\$382.90	\$567.11
C	\$437.78	\$308.98	\$529.02
D	\$432.50	\$363.59	\$670.95
E	\$409.73	\$291.45	\$524.12
F	\$396.21	\$218.65	\$700.28
California	\$285.92	\$191.82	\$533.77
<b>All States</b>	<b>\$415.19</b>	<b>\$191.82</b>	<b>\$832.89</b>

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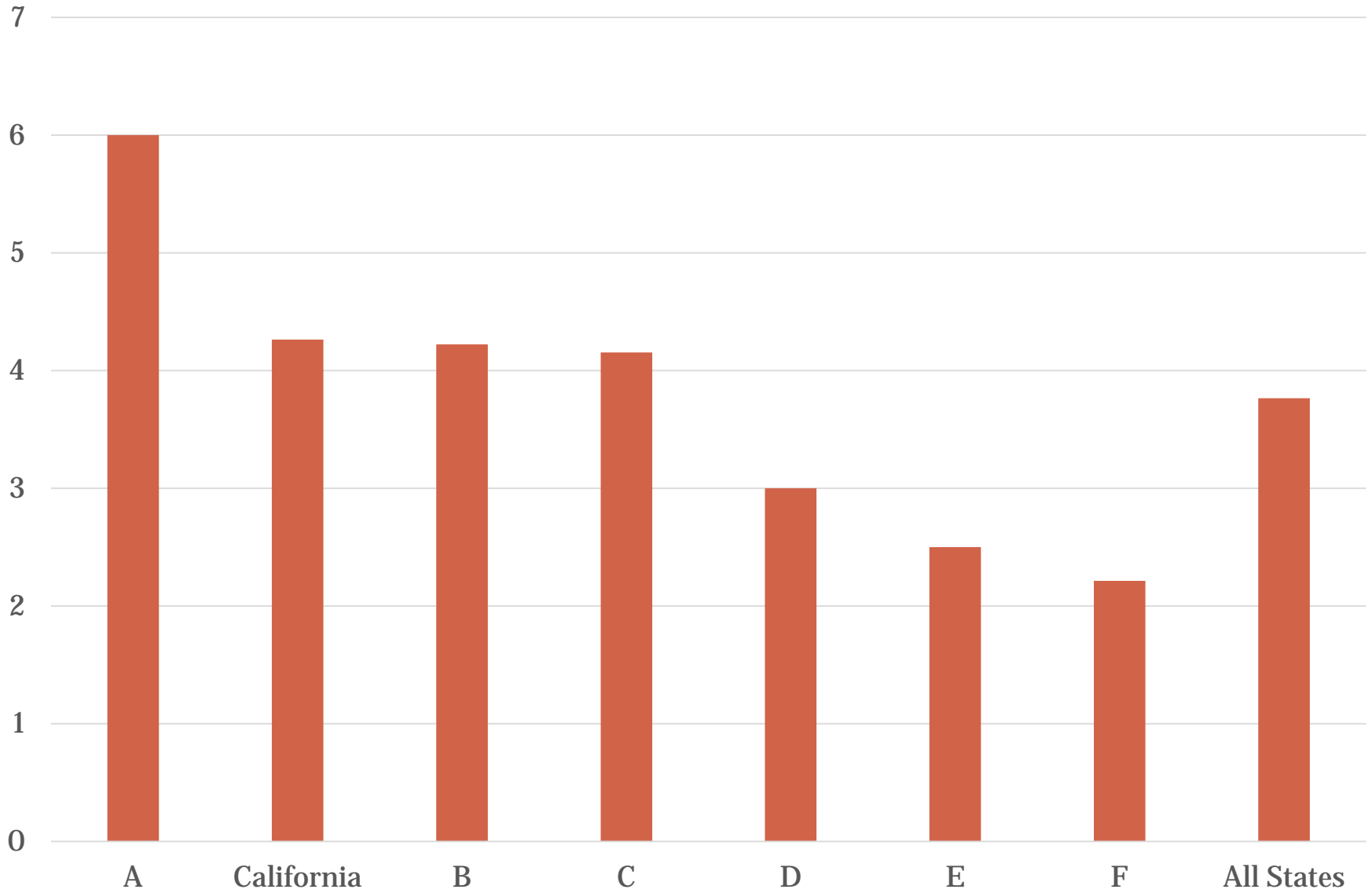


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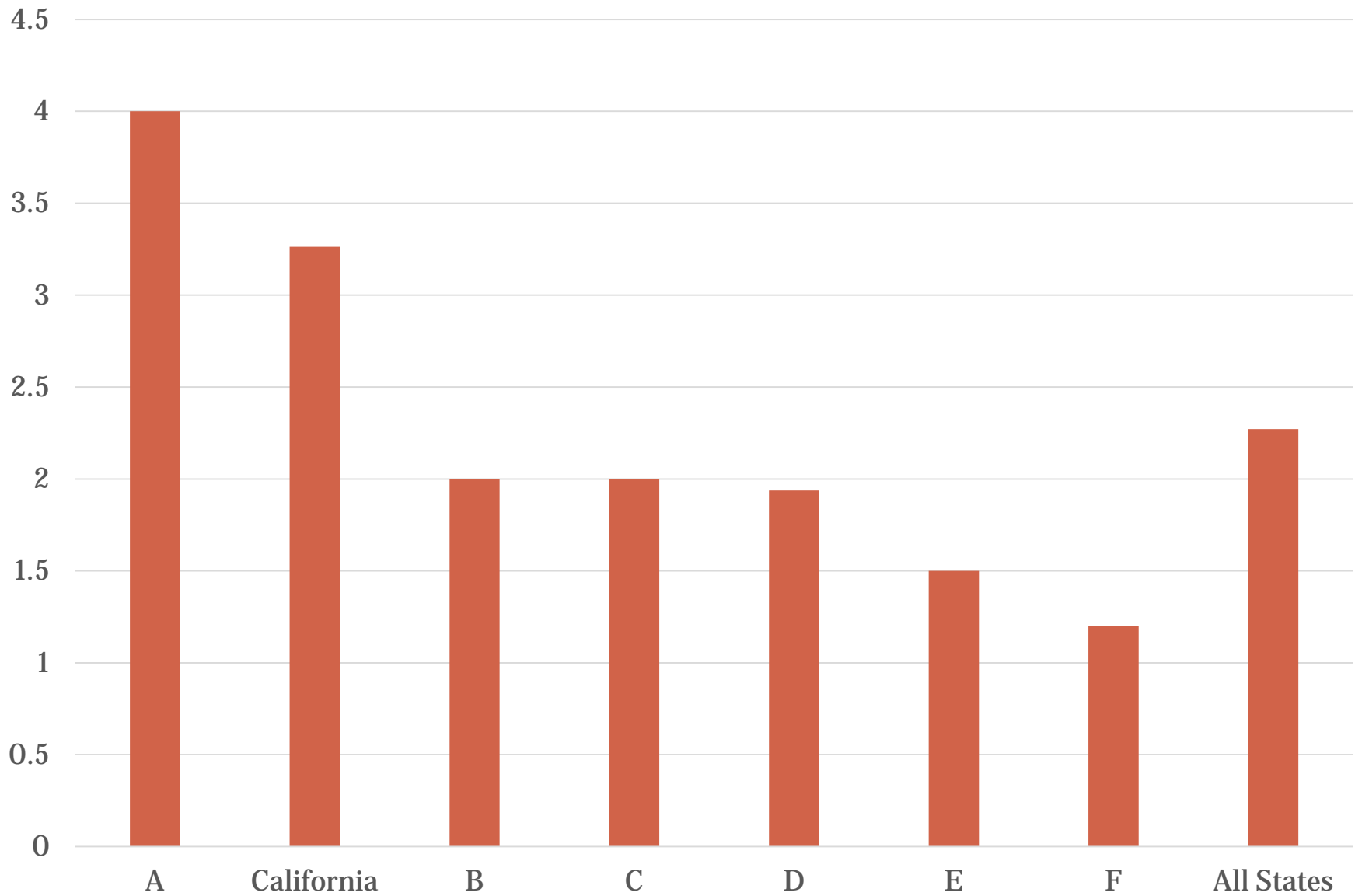
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**AVERAGE NUMBER OF ON-EXCHANGE  
CARRIERS PER RATING AREA BY STATE**

## Average # of Companies Offering Per Area Individual On-Exchange



Average # of Companies Offering Per Area Small Group On-Exchange





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## **RISK ADJUSTMENT**

# Risk Adjustment Transfers

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- In the California Individual market, RA calculated \$628.6 million in total transfers.
  - This is 2<sup>nd</sup> highest among all states, trailing only Florida
- In the California Small Group market, RA calculated \$327.3 million in total transfers.
  - This is 2<sup>nd</sup> highest among all states, trailing only New York

# Risk Adjustment Transfers

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- Challenging for carriers to predict accurately
- California uses Wakely for market estimates, which provides helpful information, but is not always a good predictor
- Federal Government may be providing more detail in the future
  - Timing of information may be issue
  - Information may not be mature
- Population migration between plans cause further issues with prediction



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**ANY QUESTIONS?**



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**APPENDIX A:  
ADMINISTRATIVE COSTS**



# Projected Administrative Expenses: Individual Market

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<b>Company</b>	<b>Admin % of Premium</b>	<b>Admin PMPM</b>
A	13.4%	\$67.40
B	12.5%	\$53.97
C	12.0%	\$54.99
D	11.2%	\$47.94
E	10.3%	\$51.68
California	10.1%	\$44.66
F	8.7%	\$46.33

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# Projected Administrative Expenses: Small Group Market

42

<b>Company</b>	<b>Admin % of Premium</b>	<b>Admin PMPM</b>
A	13.6%	\$62.91
B	13.6%	\$76.76
California	13.4%	\$60.48
C	12.8%	\$61.70
D	11.5%	\$48.16
E	10.0%	\$53.70
F	9.1%	\$46.92

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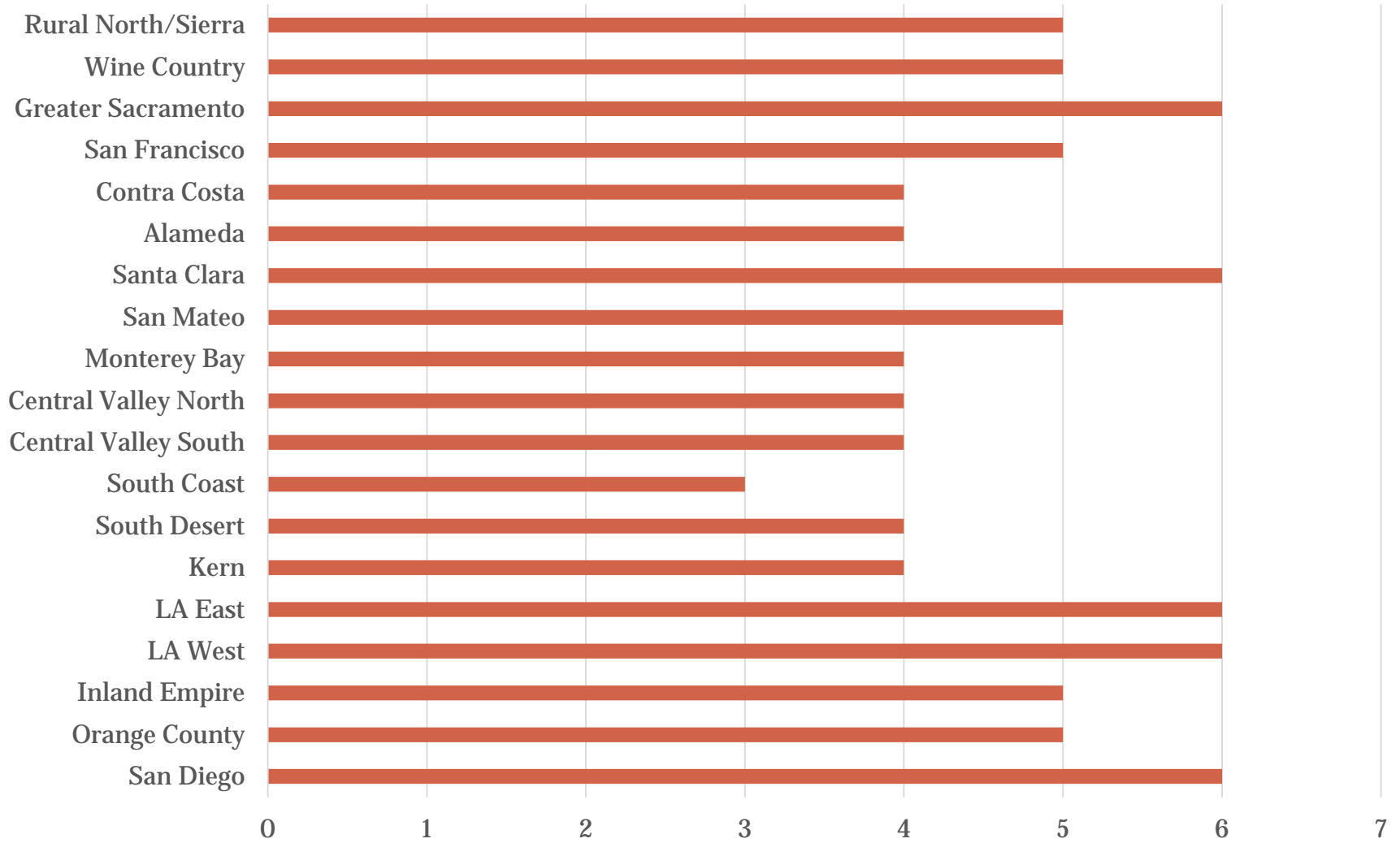


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**APPENDIX B:  
CALIFORNIA NUMBER OF ON-EXCHANGE  
CARRIERS BY RATING AREA**

## California Carriers per Rating Area Individual Market



# California Carriers per Rating Area Small Group Market

