

Mississippi
UnitedHealthcare Life Insurance Company
2017 Non-Grandfathered Employer Rates

Summary

The requested rate change for small group health benefit plans sold in the state of Mississippi ranges from 1.5% to 19.1% depending on the specific plan. Additional premium changes may occur due to policyholder aging, changes in plan selection and changes in geographic location. Rate increases will be effective January 1, 2017. It is projected that there will be 115 covered lives impacted by this rate change.

Financial Experience of the Single Risk Pool

The financial experience for the 2015 plan year for this single risk pool is included below.

<u>Plan Year</u>	<u>Earned Premiums</u>	<u>Incurred Claims</u>	<u>Loss Ratio</u>
2015	\$349,369	\$199,745	57.2%

The experience available for this product is fully credible and we base our rates on the best information that we have available about the expected costs for these plans.

Changes in Medical Service Costs

There are many different health care cost trends that contribute to increases in the overall U.S. health care spending each year. These trend factors affect health insurance premiums, which can mean a premium rate increase to cover costs. Some of the key health care cost trends that have affected this year's rate actions include:

- **Increasing Cost of Medical Services** – Annual increases in reimbursement rates to health care providers – such as hospitals, doctors and pharmaceutical companies.
- **Increased Utilization** – The number of office visits and other services continues to grow. In addition, total health care spending will vary by the intensity of care and/or use of different types of health services. Patients who are sicker generally have a higher intensity of health care utilization. The price of care can be affected by the use of expensive procedures such as surgery vs. simply monitoring or providing medications.
- **Higher Costs from Deductible Leveraging** – Health care costs continue to rise every year, while deductibles and copayments remain the same. As a result, a greater percentage of health care costs need to be covered by health insurance premiums each year.
- **Cost shifting from the public to the private sector** – Reimbursements from the Center for Medicare and Medicaid Services (CMS) to hospitals are no longer

covering all of the cost of care. The cost difference is being shifted to private health plans. Additionally, Medicare and Medicaid rates to hospitals are expected to decline due to the impact of the Patient Protection and Affordable Care Act on Medicare and the affect of the recession on Medicaid. A rate increase paid by Medicaid to hospitals is often below the actual cost increase hospitals will experience.

- **Impact of New Technology** - Improvements to medical technology and clinical practice require use of more expensive services - leading to increased health care spending and utilization.

Changes in Benefits

Changes in covered benefits or benefit plan designs impact costs and therefore affect premium changes. Benefit plans are typically changed for one of three reasons: to comply with the requirements of the Affordable Care Act, to respond to consumer feedback, or to address a particular medical cost issue to provide for greater long-term affordability of the product.

The Affordable Care Act implemented requirements for the “value” that must be offered by plan designs in the Individual and Small Group markets. These are called “metal levels”. For a benefit plan to remain classified within a particular metal level from year to year, adjustments to deductibles, copayments or coinsurance are sometimes required. These adjustments impact the cost and therefore the premium increases for the plan.

Administrative Costs and Anticipated Margin

UnitedHealthcare works to directly control administrative expenses by adopting better processes and technology, and through the development of programs and innovations that make health care more affordable. We have led the marketplace by introducing key innovations that make health care services more accessible and affordable for customers, improve the quality and coordination of health care services, and help individuals and their physicians make more informed health care decisions.

Additionally, UnitedHealthcare indirectly controls medical cost payments by using appropriate payment structures with providers and facilities. UnitedHealthcare’s goal is to control costs, maximize efficiency, and work closely with physicians and providers to obtain the best value and coverage.

The requested rate changes are anticipated to be sufficient to cover the projected benefit and administrative costs for the 2017 plan year.