

MAMSI Life and Health Insurance Company
Maryland Small Group
2017 Non-Grandfathered Employer Rates

Scope and Range of the Rate Increase

The requested average rate change for the small group health benefit plans sold in the state of Maryland is -2.6%, though rate changes may range from -9.2% to +9.1% depending on the specific plan. Additional premium changes may occur due to member aging and changes in plan selection. Rate changes will be effective January 1, 2017. It is projected that there will be 12,109 covered lives impacted by this rate change.

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 use of different types of health services. The price of care can be affected by the use of expensive procedures such as surgery versus simply monitoring or providing medications.
- **Higher Costs from Deductible Leveraging:** While health care costs continue to rise every year, if deductibles and copayments remain the same, 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 do not generally cover the cost of providing care to these patients. Hospitals generally make up this reimbursement shortfall by charging private health plans more..
- **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 Profits

UnitedHealthcare works to directly control administrative expenses by adopting better processes and technology and developing 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. Updated analysis of administrative costs has shown that the administrative costs associated with these plans are higher than previously estimated and those costs are included in the requested rate change.

State and Federal government imposed taxation and fees are significant factors that impact health care spending and have to be included in the administrative costs associated with the plans. These fees include Patient Protection and Affordable Care Act taxes and fees which impact health insurance costs and need to be reflected in premium.