

Capital Advantage Insurance Company (CAIC) – Individual Plans

Rate request filing ID # CABC-130539588- This document is prepared by the insurance company submitting the rate filing as a consumer tool to help explain the rate filing. It is not intended to describe or include all factors or information considered in the review process. For more information, see the filing at <http://www.insurance.pa.gov/Consumers/ACARelatedFilings/>

Overview

Requested average rate change:	21.1%
Range of requested rate change:	21.1% to 21.1%
Effective date:	1/1/2017
People impacted:	14
Available in:	Rating Area 9

Key information

Jan. 2015-Dec. 2015 financial experience

Premiums	\$3,318,341
Claims	-\$1,909,150*
Administrative expenses	\$31,590
Company made (before taxes)	\$5,195,901

*All individual business was transitioned out of CAIC in 2015. The outstanding claim reserve at the end of 2014 was significantly larger than the reserve at the end of 2015, resulting in negative claims on a financial reporting basis.

How it plans to spend your premium

This is how the insurance company plans to spend the premium it collects in 2017:

Claims:	84.5%
Administrative:	10.7%
Taxes & fees:	2.8%
Profit:	2.0%

The company expects its annual medical costs to increase **8.1%**.

Explanation of requested rate change

Primary drivers of requested change

- Historical claim experience
- Loss of federal reinsurance program in 2017

Changes being requested are also based upon consideration of the factors that influence future period cost structures. The primary drivers of change in future costs are:

- Anticipated increase in facility and physician unit costs
- Anticipated changes in prescription drug unit costs
- Continuing change in utilization such as
 - o Intensity of medical services rendered
 - o Changes in place of service (e.g. continued migration of inpatient stays to outpatient setting)
 - o Further migration from brand prescription drugs to generic prescription drugs
 - o Favorable impacts of value based benefits designs
- Prescription drug patent expirations and new to market brand drugs
- Leveraging associated with unchanged cost share components such as deductible and copays
- Inflation adjustment to administrative expenses

Tax Changes

- Suspension of Health Insurer Tax in 2017