

## Capital Advantage Insurance Company (CAIC) – Small Group Plans

Rate request filing ID # CABC-130539615- 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:	4.5%
Range of requested rate change:	4.4% to 5.8%
Effective date:	1/1/2017
People impacted:	46
Available in:	Rating Area 9

### Key information

#### Jan. 2015-Dec. 2015 financial experience

Premiums	\$1,677,126
Claims	\$848,725
Administrative expenses	\$263,353
Company made (before taxes)	<b>\$565,049</b>

The company expects its annual medical costs to increase **8.3%**.

#### How it plans to spend your premium

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

Claims:	81.9%
Administrative:	11.5%
Taxes & fees:	4.6%
Profit:	2.0%

### Explanation of requested rate change

Changes being requested are 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