

## Keystone Health Plan East – Small Group Plans

Rate request filing ID # INAC-131005809 - 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

Initial requested average rate change:	10.19% <sup>1</sup>
Revised requested average rate change:	N/A <sup>1</sup>
Range of requested rate change:	5.7% - 11.2%
Effective date:	January 1, 2018
People impacted:	120,498
Available in:	Rating Area 8

### Key information

#### Jan. 2016-Dec. 2016 financial experience

Premiums	\$699,143,182
Claims	\$514,297,795
Administrative expenses	\$101,725,333
Taxes & fees	\$25,798,383
<b>Company made (after taxes)</b>	<b>\$57,321,671</b>

#### How it plans to spend your premium

This is how the insurance company plans to spend the premium it collects in 2018:

Claims:	80%
Administrative:	15%
Taxes & fees:	4%
Profit:	2%

The company expects its annual medical costs to increase **6.7%**.

### Explanation of requested rate change

Scope and Range of the Rate Increase:

Keystone Health Plan East ("KHPE") is revising premium rates for the Pennsylvania Small Group ACA compliant products, effective from January 1, 2018. The actual impact for a specific customer may be different.

About 120,000 members will be affected.

Financial Experience of the Product:

KHPE is required by federal law to pay out a minimum of 80% percent of premium dollars for medical claims—this is referred to as the minimum Medical Loss Ratio (MLR). The rate action proposed in this filing is expected to achieve a Medical Loss Ratio of greater than 80%.

Changes in Medical Service Costs:

Premium rates for health care insurance are increasing as the cost of health care service rise. Health

<sup>1</sup>The initial requested average rate change shows the average rate change when the filing was initially made in May. Based on revisions made in the course of the Department's review and information released by the federal government in July on the impact of a federal program called risk adjustment, the insurer may have revised the rate filing, resulting in a revised requested average rate change.

care service costs increase as health care providers increase their fees, members use more health care services and supplies, and the types of health care services and supplies change, among other factors.

We are projecting that claims will increase by 6.7% in 2018. Nearly half of the change in health care service costs is driven by changes to health care provider fees.

#### Changes in Benefits:

Some plan benefits are mandated by federal and state law. Benefit changes for some plans were also made. All changes in benefits are in compliance with the uniform modifications rules stipulated by the Federal government.

#### Administrative Costs:

The premium rates presented in this filing include a 2% contribution to reserves. Furthermore, the Affordable Care Act (ACA) imposes taxes and other levies.