

Rate Change Summary

Keystone Health Plan East – Small Group Plans

Rate request filing ID INAC-131927130- 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:	9.7% ¹
Revised requested average rate change:	N/A ¹
Range of requested rate change:	7.3% - 11.5%
Effective date:	January 1, 2020
People impacted:	109,735
Available in:	Area 8

Key information

Jan. 2018-Dec. 2018 financial experience

Premiums	\$701,191,672
Claims	\$528,369,259
Administrative expenses	\$120,666,966
Taxes & fees	\$38,530,657
Company made (after taxes)	\$13,624,790

How it plans to spend your premium

This is how the insurance company plans to spend the premium it collects in 2020:

Claims:	78%
Administrative:	16%
Taxes & fees:	4%
Profit:	2%

The company expects its annual medical costs to increase **4.4%**.

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, 2020.

About 110,000 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

¹ Note that insurers will have the opportunity to revise their rate change request in July, after they are scheduled to receive updated information about the impact of a federal program called risk adjustment. This document will be updated accordingly at that time.

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 Taxes and Fees:

The Federal government suspended the Health Insurance Providers Fee for premiums due in 2019, but will be re-implementing it for premiums due in 2020. This increases 2020 premium rates.

Changes in Medical Service Costs:

Premium rates for health care insurance are increasing as the cost of health care service rise. Health 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 4.4% in 2020. 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:

In addition, the Affordable Care Act (ACA) imposes taxes and other levies.