

Rate Filing Decision
Date Posted to Web: 02/04/2014
Oregon's Health CO-OP
Small Group Health Benefit Plans

Basic Features of this Rate Filing

- Effective Date: April 1, 2014
- Applies to Small Group Health Benefit Plans

Rate Effective Date	Requested Average Decrease from 2014 First Quarter	Approved Average Decrease from 2014 First Quarter	Number of Members Affected
April 1, 2014	-13.1%	-13.1%	0

These Requested/Approved change numbers are averages. Your plan's rate may change by a different percentage. Your insurer will notify you in writing of your plan's specific rate change.

Summary of Rate Filing Decision

DCBS approved Oregon Health CO-OP's request for a 13.1 percent average decrease for the company's small group health benefit plans relative to their first quarter filing. At the time this filing was received, there are no current members in these plans as they are new 2014 ACA compliant plans that are not effective until January 1. However, the 13.1 percent decrease does not take effect until April 1, 2014. It should be noted that OHC made no changes to benefits in this filing.

Oregon's Health CO-OP is new to the Oregon health insurance market and has no experience with which to calculate its projections. Therefore, the company must rely on industry-wide data for its projections. For this filing, the CO-OP had access to more recent industry-wide data and used this data to adjust certain assumptions from its first quarter, 2014 filing. These assumptions include the projected health of members and the impact of improved provider negotiations.

Oregon's Health CO-OP requested to adjust its estimate of the impact of these factors in this filing. DCBS determined that this was a reasonable adjustment, lowering the approved average annual rate by 13.1 percent when compared to the first quarter filing.

Medical Cost Trend

For this filing the company projected medical and prescription costs to increase by 6.0 percent during 2014. In its first quarter filing, OHC projected this number to be 7.0 percent and requested to reduce it in this filing. DCBS approved of that reduction, resulting in an overall 0.9 percent reduction to the approved average annual medical trend rate.

While the **average** change in approved rates is a 13.1 percent decrease from its first quarter rates, premium changes will range from a 13.8 percent **decrease** to an 11.4 percent **decrease**. The premium for each policy is calculated based on the approved base rate, adjusted for factors such as age, family composition, and geographic area.

Administrative Costs

The approved rates include the following projected administrative costs:

- General administrative costs: \$72.45 per member per month
- Taxes, assessments, and fees: \$13.45 per member per month

Consumers often express concern about the impact of insurers' top management compensation on premiums. Oregon's Health CO-OP is a newly created company that received its certificate of authority in April 2013, so top management compensation information will first be reported in its 2013 annual financial statement due March 1, 2014.

Profit

With the rate decrease approved in this filing, OHC projects a 3.3 percent loss on this line of business, which is a change from the 4.2% profit in the Q1 filing. Projecting a loss is typical for a start-up insurance company in its first few years of business because start-up costs and fixed overhead costs must be spread over a smaller number of members. Without the adjustment downward in the projected profit, OHC would most likely not meet the federal MLR limit. OHC plans to eliminate losses in future years as enrollment increases. DCBS views a 3.3 percent loss to be within a reasonable range.

Cost Containment and Quality Improvement

Oregon's Health CO-OP described several new initiatives to contain costs and improve quality including:

- Case management programs that will develop individualized care plans for each member. The company states these plans are unique to each member and will identify potential health risks and provide recommendations.
- Innovative approaches to provider reimbursement. The company is exploring different models for reimbursing providers for quality care, including the possibility of bonus and other enhanced payment based on quality improvement performance.
- Wellness and health promotions including a tobacco cessation program that proactively reaches out to members. The company will draw upon other existing wellness programs to promote health and assist members in making appropriate healthcare decisions.

This Rate Filing Decision Summary is intended to be a tool for consumers and others to help explain the rate filing and the decision made by the Oregon Insurance Division and is not intended to describe or include all factors and information considered as part of the Oregon Insurance Division's rate review process.

The Department of Consumer and Business Services approves health insurance rates in the individual and small group markets. Under Oregon law, the department considers actuarial

documentation to ensure that rate increases are reasonable in relation to the benefits provided under the policy and that the rate requested is fairly allocated among the ratepayers. In that light, the department reviews multiple factors related to proposed rate changes including the insurer's revenues, medical and prescription costs, administrative costs, actual and projected profits, and past rate changes as well as the impact the change will have on Oregon consumers.

Insurers request rate changes periodically. An insurer cannot increase rates of your health benefits plan more than once in a 12-month period. When an insurer requests a rate change quarterly, new customers pay the new rate immediately and the change accumulates over a 12-month period. Specific rate changes may vary from this summary, in part because insurers offer different benefit plans.

Glossary of Terms:

Administrative costs: Expenses the insurance company pays to operate this insurance plan. This includes all expenses not directly related to paying claims, such as, but not limited to, salaries of company employees, the cost of the company's offices and equipment, commissions to agents to sell and service policies, subsidies to cover legally required plans such as portability, the Oregon Medical Insurance Pool, and taxes.

Medical and prescription costs: The portion of the premium that pays for medical services and prescriptions.

Profit: The amount of money remaining after claims and administrative expenses are paid. Margin is the comparable term for a nonprofit insurance company.