

May 28, 2018

**HIOS Part II Preliminary Justification – Written Description Justifying the Rate Increase
CHRISTUS Health Plan
Individual Rate Filing
Effective January 1, 2019**

1. SCOPE AND RANGE OF RATE INCREASE

The purpose of this memorandum is to request a rate increase effective January 1, 2019 for CHRISTUS Health Plan's (CHP's) individual market plans.

This justification is intended to comply with the requirements of CMS and the Texas Department of Insurance. This justification may not be appropriate for purposes or scopes beyond those described above and, therefore, should not be used for other purposes.

The rate increase requested for CHP's individual market plans impacts approximately 23,000 members. The composite requested rate increase from January 2018 to January 2019 is 9.6% across all members. Requested rate changes vary by plan and product due to changes in plan pricing relativities and by geographic area due to changes in area factors.

2. CHANGES IN MEDICAL SERVICE COSTS AND TREND ASSUMPTIONS

The 2019 rate development reflects CHP's expectations regarding increases in contractual reimbursement, changes in utilization of medical services and prescription drugs, and trends in drug costs per prescription.

Due to the uncertainty about the market environment that will exist at the time the proposed rates take effect, the rates include a 2% additional adjustment from 2018, for less tangible items, including non-enforcement of the individual mandate and reduced advertising and outreach.

3. CHANGES IN DEMOGRAPHIC AND GEOGRAPHIC MIX

Since CHP's 2017 experience was used as the basis for developing the 2019 rates, the rates reflect differences between the 2017 membership demographic/area mix and the projected 2019 demographic/area mix.

4. CHANGES IN BENEFITS

CHP made various changes to the 2018 plan designs to comply with the 2019 Federal Actuarial Value Calculator, federal regulations and guidance (including mental health parity), and to enrich benefits for members. The changes include adjusting the deductible, out-of-pocket maximums, coinsurance percentages and copay amounts.

5. ADMINISTRATIVE COSTS AND ANTICIPATED PROFITS

CHP is projecting a 1.3% increase in the total administrative cost from 2018 to 2019, due to the expansion into new service areas and for additional marketing and brokerage activities.