

Community is increasing rates effective January 1, 2017 for its Health Insurance Marketplace (HIM) product 27248TX001. The increase is primarily the result of higher than expected utilization for 2016 which is reflected in the utilization trend assumption. Other factors include a change to actuarial value assumptions, cost trend, lower tobacco surcharge revenue, provider reimbursement changes, and the elimination of the federal transitional reinsurance program for 2017.

Community is also revising actuarial rating methods and assumptions that results in a reallocation of costs among plans. Specifically, it is changing the method by which general administrative expenses are allocated to a per member basis. This is a common and generally accepted approach since costs are spread evenly across all members. It is also updating actuarial value assumptions for its plans. Actuarial value is the percentage of claim costs paid by the plan on behalf of members. It can change due to several factors including cost inflation and benefit changes.

As a result of these method and assumption changes, premium rates for individual plans are increasing from 17.4 percentage to 27.7 percentage. The composite average increase for the product is 20.9 percentage. The increase is highest for the HMO Bronze 003 plan, since the administrative expense is a higher percentage of premium and the actuarial value of the plan increased by more than the actuarial value of other plans. The increases impact approximately 95,000 members enrolled in the product.

Community first offered its HIM product January 1, 2014. Membership has increased from less than 250 members in 2014 to approximately 94,000 currently. Financial experience for the product is still incomplete since 2014 results are not credible and the risk adjustment transfer for 2015 has not been finalized.

Premium rates for 2017 reflect claim costs that were increased relative to the prior year for anticipated changes due to medical and prescription drug inflation and increased utilization. This includes changes to provider reimbursement agreements.

Effective January 1, 2017 benefits have changed for all plans except the HMO Gold 001 and HMO Silver 002 and 004 CSR 94 plans based on new Actuarial Value Calculator testing. Changes were necessary to maintain plans that complied with requirements to be classified as Gold, Silver, and Bronze.

Average administrative costs per member are lower for 2017 relative to 2016 due to membership growth. The lower average cost offsets the increase which would be necessary due to the elimination of the federal transitional reinsurance program.