

2015 Medica Insurance Company Individual Medical Rate Change

Consumer Justification Narrative:

Medica Insurance Company Preliminary Justification Part II – Consumer Justification Narrative 1) Scope and Range of Rate Increase Medica Insurance Company (MIC) is requesting a rate change for its long-term individual business in Minnesota. The rate change will take effect on January 1, 2015 and will impact an estimated 24,180 members. The average rate change will be a 19.8% increase and will be applied to all members equally. 2) Key Drivers of Increase The main drivers of the requested rate increase are medical inflation, durational trend capturing underwriting wear-off, decreases in the Federal Transitional Reinsurance Program funding from 2014 to 2015, and a termination date of December 31, 2014 for Minnesota Comprehensive Health Association (MCHA). 3) Comments on How Your Premium Dollar is Spent The vast majority of your premium goes to pay for medical services. Under the ACA, individual products are required to pay 80% of premium dollars, after taxes and fees are removed, toward medical claims. This ACA-defined value is projected at 90% for MIC's individual long-term business in 2015. The main drivers of MIC's administrative expenses are employee salaries and benefits, agent commissions, claim processing, premium taxes, licenses and fees, and new taxes and fees created by the ACA. MIC strives to lower its administrative expenses as well as underlying cost of care to improve its ability to keep rates as low as possible.

Minnesota Department of Commerce Comments:

It is important to point out that MCHA, Minnesota's high risk pool, was the largest health insurance high risk pool in the country. The effect of the transition of this population is largely reflected in the 2014-2015 rate increase of Minnesota's carriers. Minnesota is also the only state offering a Basic Health Plan, such that 1) some of the rate support from the prior uninsureds (typically healthier on average) is not directed to the individual market pool and 2) the transition of the high risk pool is spread over a smaller base of people in the State of Minnesota. Even though these particular plans are only available for renewing enrollees (per a unique Minnesota law), this is a non-grandfathered block of business that is pooled with statewide carrier risks, and thus must anticipate statewide factors occurring throughout the individual marketplace.