

## **2014 Medica Insurance Company Individual Medical Rate Change**

### **Consumer Justification Narrative:**

Medica Insurance Company Preliminary Justification Part II &ndash; Explanation of Rate Increase 1) Scope and Range of Rate Increase Medica Insurance Company (MIC) is requesting a rate increase for its products sold in Minnesota. The rate increase will take effect on January 1, 2014 and will affect an estimated 44,459 members. The average increase will be 25.7%. 2) Key Drivers of Increase The main drivers of the 25.7% rate increase are medical inflation and underwriting wear-off, new benefits added comply with the Essential Health Benefits (EHB) package, adjusted cost sharing amounts in order to comply with federal actuarial value requirements, changes in provider network contracting that require changes in network factors, assumed changes in mix of membership by age, and new federal taxes and fees for reinsurance contributions and risk adjustment. 3) Administrative Costs and Anticipated Profits The main drivers of our administrative expenses are employee salaries and benefits, agent commissions, claim processing, and premium taxes, licenses and fees. We strive to lower our administrative expenses as well as underlying cost of care to improve our ability to keep rates as low as possible.

### **Minnesota Department of Commerce Comments:**

This increase reflects traditional trend inflation effects, the additional benefits provided to this market because of the ACA law, new taxes and assessments, as well as the significant effect on overall morbidity due to the new entrants to the statewide market, who are expected to be less healthy and in need of health care services to a greater extent than the continuing enrollees, since prior market participants had been "underwritten" (that is, screened) by the carriers for being in better health. Even though this is a closed block, the statewide pool affects this carrier because of the new risk adjustment program.