



2016 Rate Increase Justification

July 29, 2015

Written Description Justifying Rate Increases Alliant Health Plans

Individual Plans

Premium rates for Alliant Health Plan's (Alliant's) IFP (individual/family) plans have increased for 2016.

Scope and range of rate increase:

All IFP plans offered by Alliant in 2016 will have increased premiums compared to 2015. The projected 10,796 members in Alliant's IFP plans will be affected by increases ranging from a 1% decrease, to a 67 percent increase, depending on plan geographic rating area, with an overall average increase of 30 percent. The Georgia Department of Insurance Rating Areas 2, 4 and 10 have the highest increases, Rating Areas 9 and 13 have the lowest increases, and Rating Areas 3 and 7 are in the mid-range.

Financial experience of the product:

The 2016 rates are calculated based on historical experience in 2014. The 2014 claims experience was higher than anticipated originally. In addition, 2015 rates decreased about 11 percent over 2014. These two factors combined indicate a gap of about 18 percent that needs to be made up in 2016 rates.

2014 financial experience was heavily dependent on the federal reinsurance program. Reinsurance reimbursements are decreasing significantly in 2016, which also contributes to the rate increase.

Alliant received a risk adjustment transfer payment to account for the fact that its individual risk pool was higher risk than originally anticipated, which offset some of the unfavorable 2014 experience.

The 2016 rates are calculated to a MLR of 88 percent which includes 2 percent profit.

Changes in Medical Service Costs:

Medical costs and utilization across all medical service categories (Inpatient, outpatient, physician, pharmacy and other services) were much higher in 2014 than 2013. This spike in medical costs and utilization is driving the projection for 2016.

Changes in Benefits:

Alliant has made no significant changes in plan benefits. Any changes to plan designs were a result of federal requirements to maintain plans given metal levels. Alliant has elected to reduce the number of plans in 2016; eliminating plans that had little to no enrollment.

Administrative costs and anticipated profits:

Administrative costs built into premium rates are calculated as a percent of premium. 2016 rates are calculated with a similar percent of premium for administrative expenses (about 16 percent) and profit (2 percent); as was used in 2015. Since this is remaining at a similar percent of premium, it does not have a significant impact on the rate increase.