



Rate Increase Justification for 2019 Individual Plans

Summary

FirstCare Health Plans (FCHP) proposes to raise average premium rates for non-grandfathered, ACA compliant individual policies by 0 percent. The actual premium rate change will vary based on plan selection, geography, age and an individual's tobacco use status. The proposed rates are expected to result in an 80 percent loss ratio and will go into effect January 1, 2019.

Scope

The proposed rate actions will affect all FCHP non-grandfathered, ACA-compliant plans in the individual market. The rate increase is expected to impact approximately 17,000 members. The impact of the proposed rate actions will vary between a 13 percent decrease and a 4 percent increase based on benefit plan and geographic location.

Financial Experience

Much of the basis for the proposed rate increase is the financial experience of the 2017 FCHP individual market health plans. Calendar year 2017 represented only the second plan year during which FCHP individual market health plan experience was considered fully credible. FCHP individual market plans experienced a higher level of claims than anticipated during this period. While some of the claim payments were recovered through reinsurance and other programs, FCHP is still anticipating to experience a loss for this block in plan year 2017.

Changes in Cost

In general, healthcare costs increase over time as medical providers increase the costs for their services and pharmaceutical manufacturers increase the costs of prescription drugs. FCHP estimates an annual increase in healthcare costs of 8.4%, based on several years of FCHP claims experience.

Changes in Benefits

Some benefit changes have been introduced for the 2019 plan year. These changes vary by benefit plan. In general, maximum out-of-pocket amounts and deductibles have been increased. Some copays and cost sharing elements have been changed to better match market levels. While none of the benefit changes were explicitly required by law, they were implemented to assist in alleviating the need for a greater rate increase.

Changes in Regulation

Recent regulatory and executive actions have also influenced the required rate increase for 2019. These include the elimination of federal funding for the cost sharing reductions mandate, the elimination of the individual penalty, and changes to regulations governing association health plans and short-term individual plans that do not meet ACA requirements. These regulatory changes have the potential to remove healthier individuals from the ACA risk pool, raising the expense of covering those who remain.