



## Rate Increase Justification for 2018 Individual Plans

FirstCare Health Plans raised average premium rates for non-grandfathered, ACA-compliant individual policies by 27.8 percent. The actual premium rate change will vary based on plan selection, geography, age, and tobacco use status. One significant reason for rate increases is continued uncertainty about federal funding for cost-sharing reduction mandates. The rates are effective January 1, 2018.

The following factors contributed to the rate increase:

### Financial Experience

Much of the basis for the proposed rate increase is the financial experience of the 2016 FirstCare individual market health plans. 2016 is the first plan year during which FirstCare individual market health plan experience was considered fully credible. FirstCare individual market plans experienced a higher level of medical usage than anticipated during this period. While some of the claims payments were recovered through reinsurance and other programs, FirstCare still experienced a significant loss for this block in 2016. Some members may also be impacted by the introduction of a new set of federally-prescribed age rating factors.

### Changes in Costs

In general, medical costs increase over time. The two major reasons for these increases are increases in costs, and increases in utilization. In more simple terms, medical providers increase their prices for services and members use more services. FirstCare estimates the annual increase in medical costs is about 9.0 percent.

### Changes in Benefits

Some benefit changes have been introduced for the 2018 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. These changes have generally helped to reduce the necessary rate increase.