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**REVISED
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to: **Janette Lopez**

date: **September 14, 2009**

from: **Pete Davidson**

subject: **2010 MRMIP Premiums**

As you requested, we have reviewed the 2010 Major Risk Medical Insurance Program (MRMIP) premium rates submitted by participating health plans. The comparison of 2009 to 2010 rates is shown in the attached exhibit.

Background

The legislation that governs premium rate development for MRMIP requires that the rates be set at 125% of the premium that would be offered to a standard insurable individual for a benefit plan matching the MRMIP benefit design. Participating MRMIP health plans are directed to apply actuarial adjustments to an individual benefit plan similar in benefit design to the MRMIP benefit to produce premiums reflective of what would be charged to an average subscriber in the individual market for the MRMIP benefit plan. The amount charged to MRMIP participants is 125% of this amount. Projected changes in individual insurance premium rates in the coming year vary among the MRMIP participating health plans resulting in a range of premium rate changes for MRMIP subscribers.

We have confirmed to the extent practical that the MRMIP participating health plans reflected the premium changes anticipated in 2010 for non-MRMIP enrollees in the premium rates offered for this program. We reviewed the rate submissions and supporting documentation prepared by the health plans, and had discussions with the plans to walk through the process and procedures used to determine the actuarial adjustments used to convert the individual plan base premiums to MRMIP plan premiums.

Summary of Proposed 2010 MRMIP Rates

Based on Chapter 792 Statutes of 1997 calculations performed by MRMIB staff, all plans will receive 125% of standard individual premiums in 2010, as was the case in 2009. Based on the MRMIP enrollment distribution, the average 2010 rate increase across all plans is approximately 10.5%; the average increase in 2009 was approximately 7.6%.

The average premium rate changes by carrier can be summarized as follows:

- Anthem Blue Cross' average rate changes are as follows: 9.3% increase for Single Subscribers, 28.8% increase for Subscriber+1, and 13.3% increase for Subscriber+2, with a composite increase of 10.0%. There are significant variations in the level of rate change by region, coverage tier, and age. The largest rate increase for Single Subscribers occurs in Region 3 where the composite increase is approximately 15.7%, whereas the smallest average rate increase of 4.1% occurs in Region 4. Single Subscribers between 30 and 54 will experience rate increases averaging approximately 10% and subscribers age 55 and over will experience rate increases averaging approximately 4%. Single subscribers aged less than 15 years will experience rate increases averaging approximately 24%, while those aged 15-29 average approximately 14%.
- Blue Shield's HMO rate changes are as follows: 7.8% average increase for Single Subscribers and a 0.2% increase for Subscriber+1, with a composite increase of 7.6%; since Blue Shield does not currently have any enrollees in the Subscriber+2 tier, an average rate change could not be calculated. The average rate changes for Single Subscribers range from 6.0% in Region 2 to 8.4% in Region 5. Rate changes vary significantly by age band.
- The Kaiser North rates increase an average of 11.4% for Single Subscribers. Kaiser North rates do not vary by region. Rate changes are generally consistent across tiers and within ages 15 to 64; rate changes are somewhat higher for ages over 64 and lower for ages under 15. For Single Subscribers aged 15-64, the rate increases 11.2%, while those aged less than 15 will experience increases of 8.5% and those aged 65 and over will experience increases of 16.2%.
- The Kaiser South rates increase an average of 11.2% for Single Subscribers. Kaiser South rates do not vary by region. Rate changes are generally consistent across tiers and within ages 15 to 64; rate changes are somewhat higher for ages over 64 and lower for ages under 15. For Single Subscribers aged 15-64, the rate increases 11.1%, while those aged less than 15 will experience increases of 7.2% and those aged 65 and over will experience increases of 16.1%.
- Contra Costa Health Plan (CCHP) has a rate increase of 9.7%. The increases are uniform across age bands.

Concerns Regarding Blue Shield of California Premium Rates

Though Blue Shield of California's proposed 2010 MRMIP rates increased at a lower percentage than the other participating MRMIP plans, the rates continue to be at a level far higher than the other plans' rates. Using the combined enrollment distribution by age band for all plans within each region to calculate an average regional rate for each plan, we observe that Blue Shield's 2010 Single Subscriber rates generally range from approximately 1.5 to nearly 3 times those of the other plans.

Blue Shield continues to base their MRMIP premiums upon their IFP Access+ HMO plan, which they contend is the closest match to the MRMIP benefit design among their plans with material enrollment. While Blue Shield states that this plan is being actively marketed, recent sales information that they provided indicates little sales activity and far lower sales than their IFP PPO plans. This indicates that the average health of IFP Access+ HMO plan enrollees may reflect an adverse risk mix and higher costs than a population with more average health status. Blue Shield's actuaries were not readily able to provide a measure of relative health risk among their plans. When we suggested that they consider switching to a base plan with higher enrollment and recent sales, they rejected the suggestion as they were unsure how to adjust their PPO plans to reflect the provider reimbursement structure of the HMO plan.

Due presumably to their high premium rates, Blue Shield's share of MRMIP enrollment has declined to less than 2% of the total. Based on this information, the Board may want to consider whether continued contracting with Blue Shield is in the best interest of MRMIP and its subscribers.

Please call me at 415-498-5636 if you have any questions regarding our review.

**MAJOR RISK MEDICAL INSURANCE PROGRAM
SUBSCRIBER CONTRIBUTION ADJUSTMENT
PER SB 661, CHAPTER 792, STATUTES OF 1997
Calculation for 2010 Rates**

	2008 Loss Ratio	Program Average	Above Average State Subsidy	New Subscriber Contribution Percent ³⁾
Anthem Blue Cross ¹⁾	149.15 %	130.65 %	14.16%	125.00 %
Contra Costa Health Plan ²⁾	<130.65 %	130.65 %	No Increase	125.00 %
Kaiser - Northern Region	<130.65 %	130.65 %	No Increase	125.00 %
Kaiser - Southern Region	<130.65 %	130.65 %	No Increase	125.00 %

SB 661 FORMULA FOR STATE SUBSIDY

	Subscriber Contract Totals ⁴⁾	Subscriber Contributions	Claims/Admin/Risk Payments	Loss Ratio Percent (including Admin & Profit)
Anthem Blue Cross	3,109 \$	21,763,152	\$ 32,460,583	149.15 %
Kaiser - Northern Region	1,167	6,654,832	5,452,304	81.93 %
Kaiser - Southern Region	2,036	10,163,945	12,495,817	122.94 %
		<u>\$ 38,581,929</u>	<u>\$ 50,408,704</u>	

Program statewide average subsidy under SB 661 formula 130.65%

NOTES:

- ¹⁾ At least one health plan option must be available at the 125 percent level to MRMIP subscribers in all counties, based on Insurance Code Section 12737 (a), (1). Anthem Blue Cross is the only all-county, statewide plan and therefore will not receive an increase to the subscriber contribution rate.
- ²⁾ CCHP is exempt from the SB 661 Formula which calculates the program's statewide average because the statute excludes plans from this calculation that contain less than 1,000 subscribers. However, CCHP is included on this report since they are a participating plan in MRMIP.
- ³⁾ Based on Chapter 792, Statutes of 1997 (SB 661), the subscriber contribution increase can not exceed 10 percent above 125 percent of the standard average individual rate for comparable coverage.
- ⁴⁾ Contract totals are an average based on an a total annual count divided by 12. Refer to Insurance Code, Section 12737 (a).

MRMIB 2010 Premium Rates
(Insert for Handbook)

Area 1

Counties: Alpine, Amador, Butte, Calaveras, Colusa, Del Norte, El Dorado, Glenn, Humboldt, Inyo, Kings, Lake, Lassen, Mendocino, Modoc, Mono, Monterey, Nevada, Placer, Plumas, San Benito, Shasta, Sierra,

Rating Group	Age	Anthem	KPNC
Subscriber Only	<15	\$310.20	\$242.30
	15-29	\$457.80	\$305.38
	30-34	\$571.20	\$360.84
	35-39	\$621.60	\$387.48
	40-44	\$698.70	\$434.79
	45-49	\$734.90	\$477.70
	50-54	\$878.00	\$551.63
	55-59	\$1,020.50	\$631.49
	60-64	\$1,184.40	\$699.51
	65-69	\$1,326.60	\$1,066.88
70-74	\$1,397.60	\$1,126.29	
>74	\$1,480.50	\$1,194.93	
Subscriber & 1 Dependent	<15	\$530.80	\$483.48
	15-29	\$918.50	\$644.80
	30-34	\$1,029.90	\$733.53
	35-39	\$1,099.10	\$808.95
	40-44	\$1,198.90	\$887.33
	45-49	\$1,293.20	\$930.23
	50-54	\$1,540.90	\$1,109.18
	55-59	\$1,826.90	\$1,228.98
	60-64	\$2,096.40	\$1,399.04
	65-69	\$2,347.90	\$1,892.08
70-74	\$2,473.70	\$1,996.33	
>74	\$2,620.50	\$2,111.29	
Subscriber & 2 or More Dependent	<15	\$741.00	\$825.63
	15-29	\$1,290.40	\$1,055.93
	30-34	\$1,461.00	\$1,277.76
	35-39	\$1,545.10	\$1,277.76
	40-44	\$1,588.90	\$1,296.99
	45-49	\$1,755.70	\$1,296.99
	50-54	\$1,988.30	\$1,434.53
	55-59	\$2,233.90	\$1,434.53
	60-64	\$2,539.10	\$1,620.88
	65-69	\$2,843.80	\$2,458.61
70-74	\$2,996.20	\$2,599.10	
>74	\$3,173.90	\$2,749.68	

Area 2

Counties: Fresno, Imperial, Kern, Madera, Mariposa, Merced, Napa, Sacramento, San Joaquin, San Luis Obispo, Santa Cruz, Solano, Sonoma, Stanislaus.

Rating Group	Age	Anthem	KPNC
Subscriber Only	<15	\$298.30	\$242.30
	15-29	\$440.60	\$305.38
	30-34	\$549.80	\$360.84
	35-39	\$598.10	\$387.48
	40-44	\$672.30	\$434.79
	45-49	\$707.20	\$477.70
	50-54	\$844.90	\$551.63
	55-59	\$982.10	\$631.49
	60-64	\$1,139.80	\$699.51
	65-69	\$1,276.60	\$1,066.88
	70-74	\$1,345.00	\$1,126.29
	>74	\$1,424.80	\$1,194.93
Subscriber & 1 Dependent	<15	\$520.70	\$483.48
	15-29	\$885.70	\$644.80
	30-34	\$999.10	\$733.53
	35-39	\$1,065.40	\$808.95
	40-44	\$1,166.80	\$887.33
	45-49	\$1,255.70	\$930.23
	50-54	\$1,500.30	\$1,109.18
	55-59	\$1,781.70	\$1,228.98
	60-64	\$2,028.60	\$1,399.04
	65-69	\$2,272.10	\$1,892.08
	70-74	\$2,393.80	\$1,996.33
	>74	\$2,535.80	\$2,111.29
Subscriber & 2 or More Dependent	<15	\$718.70	\$825.63
	15-29	\$1,241.90	\$1,055.93
	30-34	\$1,411.90	\$1,277.76
	35-39	\$1,486.90	\$1,277.76
	40-44	\$1,529.10	\$1,296.99
	45-49	\$1,689.70	\$1,296.99
	50-54	\$1,913.40	\$1,434.53
	55-59	\$2,149.90	\$1,434.53
	60-64	\$2,443.60	\$1,620.88
	65-69	\$2,736.90	\$2,458.61
	70-74	\$2,883.50	\$2,599.10
	>74	\$3,054.50	\$2,749.68

Area 3

Counties: Alameda, Contra Costa, Marin, San Francisco, San Mateo, Santa Clara.

Rating Group	Age	Anthem	CC	KPNC
Subscriber Only	<15	\$323.10	\$219.92	\$242.30
	15-29	\$476.90	\$279.69	\$305.38
	30-34	\$595.10	\$406.37	\$360.84
	35-39	\$647.50	\$406.37	\$387.48
	40-44	\$727.90	\$468.08	\$434.79
	45-49	\$765.50	\$468.08	\$477.70
	50-54	\$914.60	\$624.98	\$551.63
	55-59	\$1,063.10	\$624.98	\$631.49
	60-64	\$1,233.70	\$789.59	\$699.51
	65-69	\$1,381.80	\$1,059.64	\$1,066.88
	70-74	\$1,455.80	\$1,059.64	\$1,126.29
>74	\$1,542.10	\$1,059.64	\$1,194.93	
Subscriber & 1 Dependent	<15	\$520.30	\$542.68	\$483.48
	15-29	\$892.00	\$542.68	\$644.80
	30-34	\$999.20	\$720.14	\$733.53
	35-39	\$1,065.00	\$720.14	\$808.95
	40-44	\$1,164.20	\$889.88	\$887.33
	45-49	\$1,263.30	\$889.88	\$930.23
	50-54	\$1,494.20	\$1,219.12	\$1,109.18
	55-59	\$1,783.70	\$1,219.12	\$1,228.98
	60-64	\$2,053.50	\$1,574.05	\$1,399.04
	65-69	\$2,299.90	\$2,065.28	\$1,892.08
	70-74	\$2,423.10	\$2,065.28	\$1,996.33
>74	\$2,566.80	\$2,065.28	\$2,111.29	
Subscriber & 2 or More Dependent	<15	\$716.40	\$1,000.50	\$825.63
	15-29	\$1,302.00	\$1,000.50	\$1,055.93
	30-34	\$1,429.80	\$1,105.93	\$1,277.76
	35-39	\$1,542.30	\$1,105.93	\$1,277.76
	40-44	\$1,655.30	\$1,316.85	\$1,296.99
	45-49	\$1,809.00	\$1,316.85	\$1,296.99
	50-54	\$2,041.40	\$1,507.16	\$1,434.53
	55-59	\$2,326.80	\$1,507.16	\$1,434.53
	60-64	\$2,645.00	\$1,828.67	\$1,620.88
	65-69	\$2,962.40	\$2,448.50	\$2,458.61
	70-74	\$3,121.10	\$2,448.50	\$2,599.10
>74	\$3,306.30	\$2,448.50	\$2,749.68	

Area 4

Counties: Orange, Santa Barbara, Ventura.

Rating Group	Age	Anthem	KPSC
Subscriber Only	<15	\$291.80	\$216.24
	15-29	\$431.00	\$277.06
	30-34	\$537.70	\$327.26
	35-39	\$585.10	\$351.98
	40-44	\$657.50	\$395.60
	45-49	\$691.80	\$433.44
	50-54	\$826.50	\$500.34
	55-59	\$960.50	\$573.06
	60-64	\$1,115.00	\$635.60
	65-69	\$1,248.80	\$993.73
70-74	\$1,315.70	\$1,047.33	
>74	\$1,393.70	\$1,109.55	
Subscriber & 1 Dependent	<15	\$498.50	\$431.34
	15-29	\$866.30	\$584.69
	30-34	\$1,001.50	\$664.70
	35-39	\$1,062.80	\$734.51
	40-44	\$1,157.70	\$805.78
	45-49	\$1,271.20	\$843.58
	50-54	\$1,525.60	\$1,006.50
	55-59	\$1,806.40	\$1,115.58
	60-64	\$1,926.60	\$1,269.75
	65-69	\$2,157.70	\$1,768.05
70-74	\$2,273.30	\$1,865.18	
>74	\$2,408.20	\$1,982.30	
Subscriber & 2 or More Dependent	<15	\$751.60	\$738.15
	15-29	\$1,214.70	\$1,038.50
	30-34	\$1,381.00	\$1,159.20
	35-39	\$1,454.40	\$1,159.20
	40-44	\$1,495.70	\$1,178.11
	45-49	\$1,652.80	\$1,178.11
	50-54	\$1,871.60	\$1,301.75
	55-59	\$2,103.00	\$1,301.75
	60-64	\$2,390.20	\$1,471.93
	65-69	\$2,677.00	\$2,239.21
70-74	\$2,820.50	\$2,362.96	
>74	\$2,987.80	\$2,511.08	

Area 5

Counties: Los Angeles.

Rating Group	Age	Anthem	KPSC
Subscriber Only	<15	\$310.80	\$216.24
	15-29	\$458.90	\$277.06
	30-34	\$572.70	\$327.26
	35-39	\$622.70	\$351.98
	40-44	\$700.40	\$395.60
	45-49	\$736.50	\$433.44
	50-54	\$880.10	\$500.34
	55-59	\$1,023.00	\$573.06
	60-64	\$1,187.00	\$635.60
	65-69	\$1,329.40	\$993.73
70-74	\$1,400.60	\$1,047.33	
>74	\$1,483.70	\$1,109.55	
Subscriber & 1 Dependent	<15	\$501.80	\$431.34
	15-29	\$921.20	\$584.69
	30-34	\$1,033.00	\$664.70
	35-39	\$1,113.50	\$734.51
	40-44	\$1,173.70	\$805.78
	45-49	\$1,297.40	\$843.58
	50-54	\$1,517.40	\$1,006.50
	55-59	\$1,801.10	\$1,115.58
	60-64	\$1,992.40	\$1,269.75
	65-69	\$2,231.50	\$1,768.05
70-74	\$2,351.00	\$1,865.18	
>74	\$2,490.50	\$1,982.30	
Subscriber & 2 or More Dependent	<15	\$782.30	\$738.15
	15-29	\$1,282.00	\$1,038.50
	30-34	\$1,413.10	\$1,159.20
	35-39	\$1,512.80	\$1,159.20
	40-44	\$1,592.70	\$1,178.11
	45-49	\$1,759.70	\$1,178.11
	50-54	\$1,992.70	\$1,301.75
	55-59	\$2,239.20	\$1,301.75
	60-64	\$2,545.10	\$1,471.93
	65-69	\$2,850.50	\$2,239.21
70-74	\$3,003.20	\$2,362.96	
>74	\$3,181.40	\$2,511.08	

Area 6

Counties: Riverside, San Bernardino, San Diego.

Rating Group	Age	Anthem	KPSC
Subscriber Only	<15	\$295.40	\$216.24
	15-29	\$436.20	\$277.06
	30-34	\$544.20	\$327.26
	35-39	\$592.20	\$351.98
	40-44	\$665.50	\$395.60
	45-49	\$700.20	\$433.44
	50-54	\$836.50	\$500.34
	55-59	\$972.10	\$573.06
	60-64	\$1,128.30	\$635.60
	65-69	\$1,263.70	\$993.73
70-74	\$1,331.40	\$1,047.33	
>74	\$1,410.40	\$1,109.55	
Subscriber & 1 Dependent	<15	\$477.00	\$431.34
	15-29	\$847.00	\$584.69
	30-34	\$947.90	\$664.70
	35-39	\$1,023.30	\$734.51
	40-44	\$1,108.30	\$805.78
	45-49	\$1,188.00	\$843.58
	50-54	\$1,400.40	\$1,006.50
	55-59	\$1,632.30	\$1,115.58
	60-64	\$1,868.10	\$1,269.75
	65-69	\$2,092.30	\$1,768.05
70-74	\$2,204.40	\$1,865.18	
>74	\$2,335.20	\$1,982.30	
Subscriber & 2 or More Dependent	<15	\$688.10	\$738.15
	15-29	\$1,208.20	\$1,038.50
	30-34	\$1,324.40	\$1,159.20
	35-39	\$1,405.60	\$1,159.20
	40-44	\$1,513.60	\$1,178.11
	45-49	\$1,670.00	\$1,178.11
	50-54	\$1,844.40	\$1,301.75
	55-59	\$2,107.40	\$1,301.75
	60-64	\$2,410.70	\$1,471.93
	65-69	\$2,700.00	\$2,239.21
70-74	\$2,844.60	\$2,362.96	
>74	\$3,013.40	\$2,511.08	