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**to: Lesley Cummings & Denise Arend**    **date: June 19, 2007**

**from: Sandi Hunt & Pete Davidson**    **subject: MRMIP Enrollment Estimate**

We have updated our estimate of Major Risk Medical Insurance Program (MRMIP) average costs and enrollment limits for fiscal year 2007-2008. In developing this enrollment estimate, we relied upon detailed enrollment, premium, and claim data files and summary information provided by Managed Risk Medical Insurance Board (MRMIB) and participating health plan staff.

These estimates were supported by an extensive effort by MRMIB and health plan staff to clean up and validate the underlying claims data, and to provide more current data than is typically available for these estimates. As a result, these enrollment estimates vary markedly from the most recent prior estimates.

Under AB1401, which created the Guaranteed Issue Pilot Program (GIP), MRMIP and GIP share a single funding amount. Thus, the number of individuals that MRMIP can cover is dependent on the state's expected share of GIP costs. At this time, GIP experience is very limited and actual results may be expected to differ significantly from projections. Additionally, current enrollment in GIP plans is less than 6,500 individuals, and MRMIP enrollment is less than 8,000 individuals. Small populations are expected to experience volatility in claim levels over time making it difficult to develop accurate projections.

It is our understanding that the MRMIP and GIP programs will have an appropriation of approximately \$40 million for fiscal year 2007-2008. The total available funds for the enrollment estimates are determined from the annual appropriation, the existing fund balance, adjustments for outstanding plan settlements liabilities and receivables, MRMIP administrative costs, and reserves. The calculations assume that the total funding available for fiscal year 2007-2008 will be uniformly allocated throughout the year. Based on an accounting summary prepared by MRMIB staff, the total available funds for fiscal year 2007-2008 are estimated to be approximately \$59.8 million, excluding the state's GIP costs for the period July 2007 through June 2008.

To develop the MRMIP enrollment estimate, we first projected the state's GIP costs for fiscal year 2007-2008. We received a summary of the number of MRMIP graduates, GIP enrollment, claims, and premiums for the period September 2003 through December

2006. Using this information, we estimated the probability that MRMIP graduates would enroll in GIP plans and their expected lapse rates after GIP enrollment. These statistics were applied to estimate the number of GIP enrollees during fiscal year 2007-2008. Assumptions regarding expected claims trend and premium increases were also applied to derive the projected GIP state cost for fiscal year 2007-2008. Based on these projections, we estimate the GIP liability for this period to be approximately \$10.5 million. The net amount available for MRMIP subsidies is estimated to be approximately \$49.3 million.

Based on MRMIP claims, premium, and enrollment data, we estimated the average state subsidy for MRMIP enrollees to be approximately \$3,866 per year during fiscal year 2007-2008. This figure in conjunction with the estimated funds available for MRMIP subsidies results in a recommendation to increase the MRMIP enrollment limit from 9,182 to 12,752 average monthly enrollees for the period July 2007 through June 2008.

The attached exhibit summarizes the calculation of the fiscal year 2007-2008 enrollment limit described above.

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Please call Sandi at 415-498-5365 or Pete at 415-498-5636 if you have any questions regarding these estimates.

**California Major Risk Medical Insurance Program**  
**Projection of Fiscal Year 2007-2008 Average Costs**

**June 19, 2007**

1. Summary of expected state costs

Average base period claim costs per person per year	\$6,881
Trend adjustment from base period to projection period	1.418
Projected claim costs per person per year	\$9,758
Relative claim cost adjustment - all plans to base period plans	1.000
Expected claim costs for all plans	\$9,758
Average plan admin cost per person per year	\$271
Total cost per person per year for the projection period	\$10,029
Current average premium -- all plans	\$5,759
Adjustment to average expected premium level for July 2007 - June 2008	7.0%
Average expected premium July 2007 - June 2008	\$6,162
Average state subsidy for current enrollees	<b>\$3,866</b>
Base period loss ratio	131%
Projected loss ratio	158%

2. Summary of available funds and enrollment

Total available subsidy	\$ 59,802,976
Projected State GIP Costs for July 2007 - June 2008	\$ 10,500,000
Funding available for MRMIP subsidies	\$ 49,302,976
Current MRMIP enrollment cap	9,182
Recommended average monthly enrollment	12,752
Percent change in enrollment level	38.9%