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to: **Lesley Cummings & Denise Arend** date: **September 13, 2007**

from: **Pete Davidson**

subject: **MRMIP Enrollment Estimate**

As you requested, we have updated our estimate of Major Risk Medical Insurance Program (MRMIP) enrollment limits for fiscal year 2007-2008. In developing this enrollment estimate, the only assumptions that have changed from the estimate we prepared in June 2007 are the following:

- The MRMIP benefit plan incorporates a \$500 per household annual deductible effective January 1, 2008;
- Actual January 2008 MRMIP premium rate increases were applied (estimated to be approximately 6.5% in aggregate); and
- Available funding was reduced \$18.3 million from \$59.8 million as a result of transfers to the Department of Health Care Services (DHCS) to fund expanded access to the Primary Care Program and to the AIM program.

Based on MRMIP claims, premium, and enrollment data and the assumptions listed above, we estimate the average state subsidy for MRMIP enrollees to be approximately \$3,741 per year during fiscal year 2007-2008. Estimates of state GIP costs were revised based on the January 2008 MRMIP premium increase. We assumed that though the MRMIP benefit changed to incorporate a \$500 deductible, GIP premiums will remain at 110% of MRMIP premiums. The subsidy available for MRMIP participants is estimated to be approximately \$31 million after the allocation of \$11.2 million for estimated state costs for GIP during fiscal year 2007-2008. GIP is not assumed to sunset during this period. The average per person subsidy in conjunction with the estimated funds available for MRMIP subsidies results in a recommendation to decrease the MRMIP enrollment limit to 8,101 average monthly enrollees for the period July 2007 through June 2008.

The attached Exhibit 1 summarizes the calculation of the fiscal year 2007-2008 enrollment limit described above.

We were also asked to estimate an enrollment limit for fiscal year 2008-2009 assuming available funding of \$40 million. We assumed MRMIP premiums will increase 12% in January 2009, and that claim trends will also be approximately 12%. GIP is not assumed

to sunset during this period. The resulting MRMIP enrollment limit for fiscal year 2008-2009 is estimated to be 7,577. Exhibit 2 shows a summary of this calculation.

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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**

Exhibit 1

With addition of \$500 deductible effective 1/1/2008

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
Benefit factor	0.9650
Adjusted Claims costs	\$9,417
Average plan admin cost per person per year	\$271
Total cost per person per year for the projection period	\$9,687
Current average premium -- all plans	\$5,759
Adjustment to average expected premium level for July 2007 - June 2008	3.2%
Average expected premium July 2007 - June 2008	\$5,946
Average state subsidy for current enrollees	\$3,741
Base period loss ratio	131%
Projected loss ratio	158%

2. Summary of available funds and enrollment

Total fund balance	\$	59,802,976
Transfer of funds to DHS	\$	(10,000,000)
Transfer of funds to AIM Program	\$	(8,300,000)
Total available subsidy	\$	41,502,976
Projected State GIP Costs for July 2007 - June 2008	\$	11,200,000
Funding available for MRMIP subsidies	\$	30,302,976
Current MRMIP enrollment cap		9,182
Recommended average monthly enrollment		8,101
Percent change in enrollment level		-11.8%

**California Major Risk Medical Insurance Program
 Projection of Fiscal Year 2008-2009 Average Costs**

Exhibit 2

With addition of \$500 deductible effective 1/1/2008

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	1,588
Projected claim costs per person per year	\$10,929
Benefit factor	0.9300
Adjusted Claims costs	\$10,164
Average plan admin cost per person per year	\$271
Total cost per person per year for the projection period	\$10,435
Current average premium -- all plans	\$5,759
Adjustment to average expected premium level for July 2008 - June 2009	12.9%
Average expected premium July 2008 - June 2009	\$6,501
Average state subsidy for current enrollees	\$3,933
Base period loss ratio	131%
Projected loss ratio	156%

2. Summary of available funds and enrollment

Total available subsidy	\$ 40,000,000
Projected State GIP Costs for July 2008 - June 2009	\$ 10,200,000
Funding available for MRMIP subsidies	\$ 29,800,000
Current MRMIP enrollment cap	9,182
Recommended average monthly enrollment	7,577
Percent change in enrollment level	-17.5%

**Major Risk Medical Insurance Program
Actual & Projected Enrollment
September 2006 through August 2008**

