



MEMORANDUM

Date: September 26, 2018
To: WSHIP Board of Directors
Re: Proposed 2019 WSHIP Rates
From: Liz Leif, FSA

The purpose of this memorandum is to provide information regarding the calculation of 2019 WSHIP rates. These rates have been calculated in accordance with the requirements of RCW 48.41.200 and the Board’s Rate-Setting Principles.

Summary of Proposed Rate Changes

The rate analysis shows the following:

- The 2019 rate change for non-Medicare plans averages approximately 3%, ranging from -7% to +18%. The geographic rating areas for individual health plans in Washington are changing from 5 areas to 9 areas for plans issued or renewed in 2019. We have assumed that WSHIP will adopt the same rating areas as the market.
- The 2019 rate change for the Medicare plans is an increase of 3.0% for Basic and 4.0% for Basic Plus.

Calculation Methodology for Non-Medicare PPO Plans

The proposed rates were calculated using the following methodology:

- We accessed the Office of the Insurance Commissioner (OIC) website to secure the rates and benefits of all companies offering individual health insurance coverage in 2019 in Washington. Approved rates were available for carriers offering Exchange plans. Benefit Management provided the 2017 membership counts for carriers selling individual policies.
- The carriers offering individual plans in 2019 and their membership rank are shown in the table below. The individual carriers do not offer coverage statewide. For that reason, we needed to supplement the five largest carriers with other carriers offering coverage in each of the rating areas. The following table shows the combination of carriers used in each of the nine areas of the state. A list of counties with their old and new rating areas is shown in the attached Exhibit I.

Carrier	Rank	2019 Rating Area								
		1	2	3	4	5	6	7	8	9
Kaiser of WA	1	X	X		X	X	X		X	X
Regence	2						X			X
Molina	3	X		X	X	X				
Lifewise	4		X	X	X	X		X		X
Coordinated Care	5	X	X		X	X	X	X	X	X
Premera	6	X	X	X	X	X	X	X	X	
Kaiser of NW	7		X	X						
BridgeSpan	9			X			X			X
Asuris	10							X		

- The benefits of the WSHIP plans were modeled to determine their 2019 actuarial value, based on a common set of utilization and cost factors for a standard population. The rates for each of the carriers were adjusted to reflect the difference between the carrier and WSHIP plan values. They were also adjusted to reflect the actuarial value of differences in managed care approach. The actuarially adjusted rates for the companies were averaged for each deductible option, using a weighted average based on 2017 membership. This calculation resulted in the 2019 average market rate for each plan design.
- Geographic area rate relativities were calculated based on the average market rate in each area relative to Area 1, King County.

Area	Counties	2019 Factor	WSHIP Members	WSHIP Distribution
1	King	1.000	166	49%
2	Clallam, Cowlitz, Grays Harbor, Jefferson, Kitsap, Lewis, Pacific, Wahkiakum	1.060	11	3%
3	Clark, Klickitat, Skamania	1.099	12	4%
4	Ferry, Lincoln, Pend Oreille, Spokane, Stevens	0.988	4	1%
5	Mason, Pierce, Thurston	1.068	35	11%
6	Benton, Franklin, Kittitas, Yakima	1.122	40	12%
7	Adams, Chelan, Douglas, Grant, Okanogan	1.008	10	3%
8	Island, San Juan, Skagit, Snohomish, Whatcom	1.102	51	15%
9	Asotin, Columbia, Garfield, Walla Walla, Whitman	1.087	8	2%
Totals			337	100%

- All carriers used in the pricing have separate rates for smokers other than Molina. The smoker rates are 13% higher than non-smoker rates when blended across all rating area. This is 3% higher than last year's average smoker differential. Approximately 7% of the members are smokers.
- The average market rates were multiplied by 1.10 to arrive at the proposed 2019 WSHIP rates.
- The proposed 2019 rates were compared to the 2018 rates to determine the rate change. The average rate change for each deductible option and area was determined based on the May 2018 WSHIP membership in each rate cell.

The resulting non-smoker rate changes by plan and area are shown in the following table. Smoker rate increases are 1% to 5% higher, depending on the rating area.

Area	WSHIP Plan				
	500	1000	2500	5000	3000 HSA
1	1%	-3%	1%	1%	-4%
2	3%	-1%	4%	11%	0%
3	3%	0%	8%	6%	1%
4	0%	-4%	2%	7%	-2%
5	3%	0%	5%	11%	1%
6	8%	4%	16%	14%	9%
7	-3%	-7%	4%	3%	-2%
8	7%	3%	8%	15%	4%
9	5%	1%	13%	11%	6%

Calculation Methodology for Medicare Plans Over Age 65

The proposed 2019 Medicare over age 65 rates were calculated as described below:

- We used the largest Medicare Supplement carriers' membership for 2017. The companies were United Healthcare (AARP), Premera Blue Cross, Regence Blue Shield, United of Omaha, and Loyal American

(CIGNA). The first four companies are the same as used in last year's rate analysis. Loyal American replaced Asuris.

- The July 2018 Medicare Supplement rates for Plan F were secured from the OIC website. All five of the companies offer Plan F, which is closest to the WSHIP Basic benefit design.
- The carrier rates were trended one year to the midpoint of the WSHIP rating period beginning January 1, 2019. The trend was estimated based on the 2017 to 2018 rate changes in the Medicare Supplement rates of these carriers. The trend averaged 3.2%.
- The trended rates for the five companies were averaged, using a weighted average based on 2017 enrollment.
- The trended average Plan F rate was adjusted to reflect the actuarial value of differences in benefit design between Plan F and the WSHIP Basic and Basic Plus plans. The modifications included prescription drug benefits as well as a few other minor plan differences.
- The adjusted standard risk rates were multiplied by 1.50 to arrive at the proposed 2019 WSHIP over age 65 Medicare Plan rates. A rate comparison with 2018 rates is shown in the following table.

<i>Plan</i>	<i>2018 Rate</i>	<i>2019 Rate</i>	<i>% Change</i>
Basic	\$332	\$342	3.0%
Basic Plus	\$531	\$552	4.0%
BP LI Level 1	\$269	\$278	3.3%
BP LI Level 2	\$313	\$324	3.5%

Calculation Methodology for Medicare Plans Under Age 65

There are currently two companies (United American and HCA Premera) selling individual coverage to Medicare-eligible persons under age 65 in Washington. Both companies also sell to over age 65 individuals. We used the average ratio of these two companies under age 65 to over age 65 rates to apply the WSHIP over age 65 rates to develop the under 65 WSHIP rate. The average ratio was 1.71.

The adjusted standard risk rates were multiplied by 1.10 to arrive at the proposed 2018 WSHIP under age 65 Medicare Plan rates. A rate comparison with 2017 rates is shown in the following table.

<i>Plan</i>	<i>2018 Rate</i>	<i>2019 Rate</i>	<i>% Change</i>
Basic	\$415	\$430	3.5%
Basic Plus	\$665	\$693	4.2%
BP LI Level 1	\$459	\$476	3.7%
BP LI Level 2	\$534	\$555	4.0%

Exhibits

Exhibit I – 2018 and 2019 Geographic Rating Areas

Exhibit II – Proposed 2019 Non-Medicare Rates Area 1

Exhibit III – Proposed 2019 Non-Medicare Rate Increases Area 1

Exhibit IV – Proposed 2019 Medicare Rates

**STATE OF WASHINGTON
GEOGRAPHIC RATING AREAS
INDIVIDUAL HEALTH INSURANCE PLANS**

County	2018 Area	2019 Area
King	1	1
Clallam	2	2
Cowlitz	2	2
Grays Harbor	2	2
Jefferson	2	2
Kitsap	2	2
Lewis	2	2
Pacific	2	2
Wahkiakum	2	2
Clark	3	3
Klickitat	3	3
Skamania	3	3
Ferry	4	4
Lincoln	4	4
Pend Oreille	4	4
Spokane	4	4
Stevens	4	4
Mason	2	5
Pierce	2	5
Thurston	2	5
Benton	5	6
Franklin	5	6
Kittitas	5	6
Yakima	5	6
Adams	5	7
Chelan	5	7
Douglas	5	7
Grant	5	7
Okanogan	5	7
Island	2	8
San Juan	2	8
Skagit	2	8
Snohomish	2	8
Whatcom	2	8
Asotin	5	9
Columbia	5	9
Garfield	5	9
Walla Walla	5	9
Whitman	5	9

WSHIP
Proposed 2019 Rates

Area 1: King County

Age	Non-Smoker					Smoker				
	500	1000	2500	5000	3000 HSA	500	1000	2500	5000	3000 HSA
0-14	\$864	\$768	\$436	\$373	\$394	\$864	\$768	\$436	\$373	\$394
15	\$941	\$836	\$475	\$406	\$429	\$941	\$836	\$475	\$406	\$429
16	\$970	\$862	\$490	\$419	\$442	\$970	\$862	\$490	\$419	\$442
17	\$999	\$888	\$504	\$432	\$456	\$999	\$888	\$504	\$432	\$456
18	\$1,031	\$916	\$520	\$445	\$470	\$1,031	\$916	\$520	\$445	\$470
19	\$1,062	\$944	\$536	\$459	\$484	\$1,062	\$944	\$536	\$459	\$484
20	\$1,095	\$973	\$553	\$473	\$499	\$1,095	\$973	\$553	\$473	\$499
21	\$1,129	\$1,003	\$570	\$488	\$515	\$1,278	\$1,136	\$645	\$553	\$583
22	\$1,129	\$1,003	\$570	\$488	\$515	\$1,278	\$1,136	\$645	\$553	\$583
23	\$1,129	\$1,003	\$570	\$488	\$515	\$1,278	\$1,136	\$645	\$553	\$583
24	\$1,129	\$1,003	\$570	\$488	\$515	\$1,278	\$1,136	\$645	\$553	\$583
25	\$1,134	\$1,007	\$572	\$490	\$517	\$1,284	\$1,140	\$648	\$555	\$585
26	\$1,156	\$1,028	\$584	\$500	\$527	\$1,309	\$1,164	\$661	\$566	\$597
27	\$1,183	\$1,052	\$597	\$511	\$539	\$1,340	\$1,191	\$676	\$579	\$610
28	\$1,227	\$1,091	\$620	\$530	\$560	\$1,389	\$1,235	\$702	\$600	\$634
29	\$1,263	\$1,123	\$638	\$546	\$576	\$1,430	\$1,272	\$722	\$618	\$652
30	\$1,282	\$1,139	\$647	\$554	\$584	\$1,452	\$1,290	\$733	\$627	\$661
31	\$1,309	\$1,163	\$661	\$565	\$597	\$1,482	\$1,317	\$748	\$640	\$676
32	\$1,336	\$1,187	\$674	\$577	\$609	\$1,513	\$1,344	\$763	\$653	\$690
33	\$1,353	\$1,202	\$683	\$584	\$617	\$1,532	\$1,361	\$773	\$661	\$699
34	\$1,371	\$1,218	\$692	\$592	\$625	\$1,552	\$1,379	\$784	\$670	\$708
35	\$1,380	\$1,226	\$697	\$596	\$629	\$1,563	\$1,388	\$789	\$675	\$712
36	\$1,389	\$1,234	\$701	\$600	\$633	\$1,573	\$1,397	\$794	\$679	\$717
37	\$1,398	\$1,242	\$706	\$604	\$637	\$1,583	\$1,406	\$799	\$684	\$721
38	\$1,407	\$1,250	\$710	\$608	\$641	\$1,593	\$1,415	\$804	\$688	\$726
39	\$1,425	\$1,266	\$719	\$616	\$650	\$1,614	\$1,434	\$814	\$698	\$736
40	\$1,443	\$1,282	\$729	\$623	\$658	\$1,634	\$1,452	\$825	\$705	\$745
41	\$1,470	\$1,307	\$742	\$635	\$670	\$1,665	\$1,480	\$840	\$719	\$759
42	\$1,496	\$1,330	\$755	\$646	\$682	\$1,694	\$1,506	\$855	\$731	\$772
43	\$1,532	\$1,362	\$774	\$662	\$699	\$1,735	\$1,542	\$876	\$750	\$792
44	\$1,577	\$1,402	\$796	\$682	\$719	\$1,786	\$1,588	\$901	\$772	\$814
45	\$1,630	\$1,449	\$823	\$704	\$743	\$1,846	\$1,641	\$932	\$797	\$841
46	\$1,694	\$1,505	\$855	\$732	\$772	\$1,918	\$1,704	\$968	\$829	\$874
47	\$1,765	\$1,568	\$891	\$763	\$805	\$1,999	\$1,776	\$1,009	\$864	\$912
48	\$1,846	\$1,641	\$932	\$798	\$842	\$2,090	\$1,858	\$1,055	\$904	\$953
49	\$1,926	\$1,712	\$972	\$832	\$878	\$2,181	\$1,939	\$1,101	\$942	\$994
50	\$2,017	\$1,792	\$1,018	\$871	\$919	\$2,284	\$2,029	\$1,153	\$986	\$1,041
51	\$2,106	\$1,871	\$1,063	\$910	\$960	\$2,385	\$2,119	\$1,204	\$1,030	\$1,087
52	\$2,204	\$1,959	\$1,113	\$952	\$1,005	\$2,496	\$2,218	\$1,260	\$1,078	\$1,138
53	\$2,303	\$2,047	\$1,163	\$995	\$1,050	\$2,608	\$2,318	\$1,317	\$1,127	\$1,189
54	\$2,411	\$2,142	\$1,217	\$1,042	\$1,099	\$2,730	\$2,425	\$1,378	\$1,180	\$1,244
55	\$2,518	\$2,238	\$1,271	\$1,088	\$1,148	\$2,851	\$2,534	\$1,439	\$1,232	\$1,300
56	\$2,634	\$2,341	\$1,330	\$1,138	\$1,201	\$2,983	\$2,651	\$1,506	\$1,289	\$1,360
57	\$2,752	\$2,445	\$1,389	\$1,189	\$1,254	\$3,116	\$2,769	\$1,573	\$1,346	\$1,420
58	\$2,877	\$2,557	\$1,452	\$1,243	\$1,312	\$3,258	\$2,895	\$1,644	\$1,408	\$1,486
59	\$2,939	\$2,612	\$1,484	\$1,270	\$1,340	\$3,328	\$2,958	\$1,680	\$1,438	\$1,517
60	\$3,064	\$2,723	\$1,547	\$1,324	\$1,397	\$3,470	\$3,083	\$1,752	\$1,499	\$1,582
61	\$3,173	\$2,820	\$1,602	\$1,371	\$1,446	\$3,593	\$3,193	\$1,814	\$1,552	\$1,637
62	\$3,244	\$2,883	\$1,638	\$1,402	\$1,479	\$3,673	\$3,265	\$1,855	\$1,588	\$1,675
63	\$3,333	\$2,962	\$1,683	\$1,440	\$1,520	\$3,774	\$3,354	\$1,906	\$1,631	\$1,721
64	\$3,387	\$3,010	\$1,710	\$1,464	\$1,544	\$3,835	\$3,408	\$1,936	\$1,658	\$1,748
65+	\$3,387	\$3,010	\$1,710	\$1,464	\$1,544	\$3,835	\$3,408	\$1,936	\$1,658	\$1,748

**WSHIP
Proposed 2019 Rate Change**

King County

Age	Non-Smoker					Smoker				
	500	1000	2500	5000	3000 HSA	500	1000	2500	5000	3000 HSA
0-14	1%	-3%	1%	1%	-4%	1%	-3%	1%	1%	-4%
15	1%	-3%	1%	1%	-4%	1%	-3%	1%	1%	-4%
16	1%	-3%	1%	1%	-4%	1%	-3%	1%	1%	-4%
17	1%	-3%	1%	1%	-4%	1%	-3%	1%	1%	-4%
18	1%	-3%	1%	1%	-4%	1%	-3%	1%	1%	-4%
19	1%	-3%	1%	1%	-4%	1%	-3%	1%	1%	-4%
20	1%	-3%	1%	1%	-4%	1%	-3%	1%	1%	-4%
21	1%	-3%	1%	1%	-4%	3%	-1%	3%	3%	-2%
22	1%	-3%	1%	1%	-4%	3%	-1%	3%	3%	-2%
23	1%	-3%	1%	1%	-4%	3%	-1%	3%	3%	-2%
24	1%	-3%	1%	1%	-4%	3%	-1%	3%	3%	-2%
25	1%	-3%	1%	1%	-4%	3%	-1%	3%	3%	-2%
26	1%	-3%	1%	1%	-4%	3%	-1%	3%	3%	-2%
27	1%	-3%	1%	1%	-4%	3%	-1%	3%	3%	-2%
28	1%	-3%	1%	1%	-4%	3%	-1%	3%	3%	-2%
29	1%	-3%	1%	1%	-4%	3%	-1%	3%	3%	-2%
30	1%	-3%	1%	1%	-4%	3%	-1%	3%	3%	-2%
31	1%	-3%	1%	1%	-4%	3%	-1%	3%	3%	-2%
32	1%	-3%	1%	1%	-4%	3%	-1%	3%	3%	-2%
33	1%	-3%	1%	1%	-4%	3%	-1%	3%	3%	-2%
34	1%	-3%	1%	1%	-4%	3%	-1%	3%	3%	-2%
35	1%	-3%	1%	1%	-4%	3%	-1%	3%	3%	-2%
36	1%	-3%	1%	1%	-4%	3%	-1%	3%	3%	-2%
37	1%	-3%	1%	1%	-4%	3%	-1%	3%	3%	-2%
38	1%	-3%	1%	1%	-4%	3%	-1%	3%	3%	-2%
39	1%	-3%	1%	1%	-4%	3%	-1%	3%	3%	-2%
40	1%	-3%	1%	1%	-4%	3%	-1%	3%	3%	-2%
41	1%	-3%	1%	1%	-4%	3%	-1%	3%	3%	-2%
42	1%	-3%	1%	1%	-4%	3%	-1%	3%	3%	-2%
43	1%	-3%	1%	1%	-4%	3%	-1%	3%	3%	-2%
44	1%	-3%	1%	1%	-4%	3%	-1%	3%	3%	-2%
45	1%	-3%	1%	1%	-4%	3%	-1%	3%	3%	-2%
46	1%	-3%	1%	1%	-4%	3%	-1%	3%	3%	-2%
47	1%	-3%	1%	1%	-4%	3%	-1%	3%	3%	-2%
48	1%	-3%	1%	1%	-4%	3%	-1%	3%	3%	-2%
49	1%	-3%	1%	1%	-4%	3%	-1%	3%	3%	-2%
50	1%	-3%	1%	1%	-4%	3%	-1%	3%	3%	-2%
51	1%	-3%	1%	1%	-4%	3%	-1%	3%	3%	-2%
52	1%	-3%	1%	1%	-4%	3%	-1%	3%	3%	-2%
53	1%	-3%	1%	1%	-4%	3%	-1%	3%	3%	-2%
54	1%	-3%	1%	1%	-4%	3%	-1%	3%	3%	-2%
55	1%	-3%	1%	1%	-4%	3%	-1%	3%	3%	-2%
56	1%	-3%	1%	1%	-4%	3%	-1%	3%	3%	-2%
57	1%	-3%	1%	1%	-4%	3%	-1%	3%	3%	-2%
58	1%	-3%	1%	1%	-4%	3%	-1%	3%	3%	-2%
59	1%	-3%	1%	1%	-4%	3%	-1%	3%	3%	-2%
60	1%	-3%	1%	1%	-4%	3%	-1%	3%	3%	-2%
61	1%	-3%	1%	1%	-4%	3%	-1%	3%	3%	-2%
62	1%	-3%	1%	1%	-4%	3%	-1%	3%	3%	-2%
63	1%	-3%	1%	1%	-4%	3%	-1%	3%	3%	-2%
64	1%	-3%	1%	1%	-4%	3%	-1%	3%	3%	-2%
65+	1%	-3%	1%	1%	-4%	3%	-1%	3%	3%	-2%

**WSHIP Medicare Plans
2019 Rate Development**

Over Age 65

Carrier	Plan	2017 Avg Mems	Plan F Rate 7/17	Plan F Rate 7/18	Annual Trend	Trend To 7/18	Trended Rate
UHC AARP	F	136,256	\$212	\$222	4.7%		
Premera	F	40,505	\$211	\$216	2.4%		
Regence	F	30,768	\$216	\$214	-0.9%		
United of Om	F	24,754	\$229	\$241	5.2%		
Loyal American	F	8,175	\$231	\$214	-7.4%		
Wtd Avg		240,457	\$215	\$222	3.2%	1.032	\$229

Plan	Plan Adj Factor	2019 SRR	Multiplier	2019 Rate	2018 Rate	Rate Chg
Basic	0.998	\$228	1.50	\$342	\$332	3.0%
Basic Plus	1.608	\$368	1.50	\$552	\$531	4.0%
BP LI Level 1	1.105	\$253	1.10	\$278	\$269	3.3%
BP LI Level 2	1.289	\$295	1.10	\$324	\$313	3.5%

Under Age 65

Carrier	Plan	2017 Avg Mems	Over 65 7/18 Rate	Under 65 7/18 Rate	Ratio	Over 65 7/19 Rate	Under 65 7/19 Rate
United American	B	1,457	\$217	\$424	1.95		
HCA Premera	F	40,505	\$212	\$361	1.70		
Wtd Avg		41,962	\$212	\$363	1.71	\$229	\$392

Plan	Plan Adj Factor	2019 SRR	Multiplier	2019 Rate	2018 Rate	Rate Chg
Basic	0.998	\$391	1.10	\$430	\$415	3.5%
Basic Plus	1.608	\$630	1.10	\$693	\$665	4.2%
BP LI Level 1	1.105	\$433	1.10	\$476	\$459	3.7%
BP LI Level 2	1.289	\$505	1.10	\$555	\$534	4.0%