



**MEMORANDUM**

Date: October 16, 2017  
To: WSHIP Board of Directors  
Re: Calculation of 2018 WSHIP Rates  
From: Liz Leif, FSA

The purpose of this memorandum is to provide documentation of the calculation of 2018 rates for WSHIP’s benefit plans. These rates have been calculated in accordance with the requirements of RCW 48.41.200 and the Board’s Rate-Setting Principles. The rates are based on marketplace rate filings that have been approved.

**Summary of Proposed Rate Changes**

The rate analysis shows the following:

- The 2018 rate change for non-Medicare plans averages approximately 18%. Rate increases are more for enrollees under the age of 21.
- The rate change for the Medicare plans is an increase of 0.3% for Basic and 1.5% for Basic Plus.

**Calculation Methodology for Non-Medicare PPO Plans**

The proposed rates were calculated using the following methodology:

- BMI provided the 2016 membership counts for the carriers with the largest individual membership. The five largest individual carriers, in descending order of market share, were: Premera Blue Cross, Group Health Cooperative, LifeWise Health Plan, Regence Blue Shield, and Coordinated Care Corporation. Group Health Cooperative was acquired and is now known as Kaiser Foundation Health Plan of WA. Kaiser Foundation of the NW has also filed rates.
- The individual carriers do not all offer coverage statewide. For that reason, we needed to supplement the largest carriers with other carriers offering coverage in certain areas of the state. The following table shows the combination of carriers used in each of the five areas of the state. There are four carriers in Area 1, three carriers in Area 3, and five carriers in Areas 2, 4, and 5.

<i>Carrier</i>	<i>Carrier Rank</i>	<i>Area 1</i>	<i>Area 2</i>	<i>Area 3</i>	<i>Area 4</i>	<i>Area 5</i>
Premera	1	X	X		X	X
Kaiser of WA (Formerly Group Health Cooperative)	2	X	X		X	X
Lifewise	3		X	X	X	X
Regence	4					X
Coordinated Care	5	X	X		X	X
Molina	6	X	X	X	X	
Kaiser of the NW	8			X		

- We secured the final approved rates and benefits of the seven companies from the Office of the Insurance Commissioner (OIC). We used rates that were based on the assumption that Cost Sharing Reduction payments are funded.
- All seven carriers have filed Silver and Gold plans. Five have filed Bronze plans. Six will offer plans on the Exchange and three will offer plans off the exchange. Two have filed Catastrophic Plans, and none have filed Platinum Plans.
- The benefits of the WSHIP plans were modeled to determine their 2018 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 between the carrier plans and the corresponding non-managed care WSHIP deductible options. The actuarially adjusted rates for the companies were averaged for each deductible option, using a weighted average based on 2016 membership. This calculation resulted in the 2018 standard risk rate for each plan design.
- Geographic rate factors were calculated based on the weighted average of the 2018 factors that will be used by the carriers.

<b>Area</b>	<b>Counties</b>	<b>2018 Factor</b>	<b>WSHIP Members</b>	<b>WSHIP Distribution</b>
1	King	1.000	174	49.7%
2	Clallam, Cowlitz, Grays Harbor, Island, Jefferson, Kitsap, Lewis, Mason, Pacific, Pierce, San Juan, Skagit, Snohomish, Thurston, Wahkiakum, Whatcom	1.012	107	30.6%
3	Clark, Klickitat, Skamania	1.040	12	3.4%
4	Ferry, Lincoln, Pend Oreille, Spokane, Stevens	0.967	2	0.6%
5	Adams, Asotin, Benton, Chelan, Columbia, Douglas, Franklin, Garfield, Grant, Kittitas, Okanogan, Walla Walla, Whitman, Yakima	0.985	55	15.7%
Average		1.003	350	100.0%

- All carriers used in the pricing have separate rates for smokers other than Molina. The smoker rates are approximately 10% higher than non-smoker rates in all rating area. This is about 0.5% lower than last year's smoker differential. Approximately 8% of the members are smokers.
- The standard risk rates were multiplied by 1.10 to arrive at the preliminary 2018 WSHIP rates. We have not developed rates for the Standard Plans, as those plans are being discontinued.
- The proposed 2018 rates were compared to the 2017 rates to determine the rate change. The average rate change for each deductible option and area was determined based on the June 2017 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 slightly lower.

	<b>500</b>	<b>1000</b>	<b>2500</b>	<b>5000</b>	<b>3000 HSA</b>
<b>Area 1</b>	16%	16%	19%	26%	26%
<b>Area 2</b>	16%	16%	18%	17%	23%
<b>Area 3</b>	16%	16%	14%	23%	22%
<b>Area 4</b>	21%	21%	22%	24%	26%
<b>Area 5</b>	18%	18%	12%	21%	20%

### **Change in Mandated Age Slope for Children**

The rate changes are greater for children. HHS has mandated a change in the age slope for children for 2018. WSHIP has used the HHS mandated age slope for its rates since 2014. Seventeen children are currently covered in the PPO plans and 3 are covered in the Standard plans. The table below shows the

age factors in 2017 and 2018 and the impact of this change, which is in addition to the rate changes shown in the table above.

<b>Age</b>	<b>2017 Age Factor</b>	<b>2018 Age Factor</b>	<b>Rate Impact</b>
0-14	0.635	0.765	20.5%
15	0.635	0.833	31.2%
16	0.635	0.859	35.3%
17	0.635	0.885	39.4%
18	0.635	0.913	43.8%
19	0.635	0.941	48.2%
20	0.635	0.970	52.8%

### Calculation Methodology for Medicare Plans Over Age 65

The proposed 2018 rates were calculated as described below:

- We used the largest Medicare Supplement carriers' membership for 2016. The companies were United Healthcare (AARP), Premera Blue Cross, Regence Blue Shield, United of Omaha, and Asuris. The companies are the same as used in last year's rate analysis.
- The July 2017 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, 2018. The trend was estimated based on the 2016 to 2017 rate changes in the Medicare Supplement rates of these carriers. The trend averaged 3.6%.
- The trended rates for the five companies were averaged, using a weighted average based on 2016 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 preliminary 2018 WSHIP over age 65 Medicare Plan rates. A rate comparison with 2017 rates is shown in the following table.

<b>Plan</b>	<b>2017 Rate</b>	<b>2018 Rate</b>	<b>% Change</b>
Basic	\$331	\$332	0.3%
Basic Plus	\$523	\$531	1.5%
BP LI Level 1	\$268	\$269	0.4%
BP LI Level 2	\$307	\$313	2.0%

### 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 of these 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.

<b>Plan</b>	<b>2017 Rate</b>	<b>2017 Rate</b>	<b>% Change</b>
Basic	\$413	\$415	0.5%
Basic Plus	\$653	\$665	1.8%
BP LI Level 1	\$456	\$459	0.6%
BP LI Level 2	\$522	\$534	2.3%

**Exhibits**

**Exhibit I** – Proposed 2018 Non-Medicare Rates Area 1

**Exhibit II** – Proposed 2018 Non-Medicare Rate Increases Area 1

**Exhibit III** – Proposed 2018 Medicare Rates

**WSHIP  
January 2018 Rates**

**Exhibit I**

**Area 1: King County**

Age	Non-Smoker					Smoker				
	500	1000	2500	5000	3000 HSA	500	1000	2500	5000	3000 HSA
0-14	\$857.60	\$790.84	\$430.93	\$370.00	\$410.98	\$857.60	\$790.84	\$430.93	\$370.00	\$410.98
15	\$933.83	\$861.14	\$469.24	\$402.89	\$447.52	\$933.83	\$861.14	\$469.24	\$402.89	\$447.52
16	\$962.98	\$888.02	\$483.88	\$415.46	\$461.48	\$962.98	\$888.02	\$483.88	\$415.46	\$461.48
17	\$992.13	\$914.90	\$498.53	\$428.04	\$475.45	\$992.13	\$914.90	\$498.53	\$428.04	\$475.45
18	\$1,023.52	\$943.84	\$514.30	\$441.58	\$490.49	\$1,023.52	\$943.84	\$514.30	\$441.58	\$490.49
19	\$1,054.91	\$972.79	\$530.08	\$455.12	\$505.54	\$1,054.91	\$972.79	\$530.08	\$455.12	\$505.54
20	\$1,087.42	\$1,002.77	\$546.41	\$469.15	\$521.12	\$1,087.42	\$1,002.77	\$546.41	\$469.15	\$521.12
21	\$1,121.05	\$1,033.78	\$563.31	\$483.66	\$537.23	\$1,243.87	\$1,147.05	\$625.03	\$536.65	\$596.09
22	\$1,121.05	\$1,033.78	\$563.31	\$483.66	\$537.23	\$1,243.87	\$1,147.05	\$625.03	\$536.65	\$596.09
23	\$1,121.05	\$1,033.78	\$563.31	\$483.66	\$537.23	\$1,243.87	\$1,147.05	\$625.03	\$536.65	\$596.09
24	\$1,121.05	\$1,033.78	\$563.31	\$483.66	\$537.23	\$1,243.87	\$1,147.05	\$625.03	\$536.65	\$596.09
25	\$1,125.53	\$1,037.92	\$565.56	\$485.59	\$539.38	\$1,248.85	\$1,151.64	\$627.53	\$538.80	\$598.48
26	\$1,147.95	\$1,058.59	\$576.83	\$495.27	\$550.13	\$1,273.73	\$1,174.58	\$640.03	\$549.53	\$610.40
27	\$1,174.86	\$1,083.41	\$590.35	\$506.87	\$563.02	\$1,303.58	\$1,202.11	\$655.03	\$562.41	\$624.71
28	\$1,218.58	\$1,123.72	\$612.32	\$525.74	\$583.97	\$1,352.09	\$1,246.84	\$679.41	\$583.34	\$647.95
29	\$1,254.45	\$1,156.80	\$630.34	\$541.21	\$601.16	\$1,391.89	\$1,283.55	\$699.41	\$600.51	\$667.03
30	\$1,272.39	\$1,173.34	\$639.36	\$548.95	\$609.76	\$1,411.80	\$1,301.90	\$709.41	\$609.10	\$676.57
31	\$1,299.29	\$1,198.16	\$652.88	\$560.56	\$622.65	\$1,441.65	\$1,329.43	\$724.41	\$621.98	\$690.87
32	\$1,326.20	\$1,222.97	\$666.40	\$572.17	\$635.55	\$1,471.50	\$1,356.96	\$739.41	\$634.86	\$705.18
33	\$1,343.01	\$1,238.47	\$674.85	\$579.42	\$643.61	\$1,490.16	\$1,374.16	\$748.78	\$642.91	\$714.12
34	\$1,360.95	\$1,255.01	\$683.86	\$587.16	\$652.20	\$1,510.06	\$1,392.52	\$758.78	\$651.49	\$723.66
35	\$1,369.92	\$1,263.28	\$688.37	\$591.03	\$656.50	\$1,520.01	\$1,401.69	\$763.79	\$655.79	\$728.43
36	\$1,378.89	\$1,271.55	\$692.87	\$594.90	\$660.80	\$1,529.96	\$1,410.87	\$768.79	\$660.08	\$733.20
37	\$1,387.86	\$1,279.82	\$697.38	\$598.77	\$665.09	\$1,539.91	\$1,420.04	\$773.79	\$664.37	\$737.96
38	\$1,396.83	\$1,288.09	\$701.89	\$602.64	\$669.39	\$1,549.87	\$1,429.22	\$778.79	\$668.67	\$742.73
39	\$1,414.76	\$1,304.63	\$710.90	\$610.38	\$677.99	\$1,569.77	\$1,447.57	\$788.79	\$677.25	\$752.27
40	\$1,432.70	\$1,321.18	\$719.91	\$618.12	\$686.58	\$1,589.67	\$1,465.93	\$798.79	\$685.84	\$761.81
41	\$1,459.60	\$1,345.99	\$733.43	\$629.72	\$699.48	\$1,619.52	\$1,493.46	\$813.79	\$698.72	\$776.11
42	\$1,485.39	\$1,369.76	\$746.39	\$640.85	\$711.83	\$1,648.13	\$1,519.84	\$828.16	\$711.06	\$789.82
43	\$1,521.26	\$1,402.84	\$764.41	\$656.32	\$729.03	\$1,687.93	\$1,556.54	\$848.16	\$728.23	\$808.90
44	\$1,566.10	\$1,444.20	\$786.95	\$675.67	\$750.52	\$1,737.69	\$1,602.43	\$873.17	\$749.70	\$832.74
45	\$1,618.79	\$1,492.78	\$813.42	\$698.40	\$775.76	\$1,796.15	\$1,656.34	\$902.54	\$774.92	\$860.76
46	\$1,681.57	\$1,550.68	\$844.97	\$725.49	\$805.85	\$1,865.81	\$1,720.57	\$937.54	\$804.97	\$894.14
47	\$1,752.20	\$1,615.80	\$880.45	\$755.96	\$839.70	\$1,944.17	\$1,792.84	\$976.92	\$838.78	\$931.70
48	\$1,832.91	\$1,690.24	\$921.01	\$790.78	\$878.38	\$2,033.73	\$1,875.42	\$1,021.92	\$877.42	\$974.61
49	\$1,912.51	\$1,763.63	\$961.01	\$825.12	\$916.52	\$2,122.05	\$1,956.86	\$1,066.30	\$915.52	\$1,016.94
50	\$2,002.19	\$1,846.34	\$1,006.07	\$863.81	\$959.50	\$2,221.56	\$2,048.63	\$1,116.30	\$958.46	\$1,064.62
51	\$2,090.75	\$1,928.01	\$1,050.57	\$902.02	\$1,001.94	\$2,319.82	\$2,139.24	\$1,165.68	\$1,000.85	\$1,111.72
52	\$2,188.28	\$2,017.95	\$1,099.58	\$944.10	\$1,048.68	\$2,428.04	\$2,239.04	\$1,220.06	\$1,047.54	\$1,163.58
53	\$2,286.94	\$2,108.92	\$1,149.15	\$986.66	\$1,095.96	\$2,537.50	\$2,339.98	\$1,275.06	\$1,094.76	\$1,216.03
54	\$2,393.44	\$2,207.13	\$1,202.67	\$1,032.61	\$1,146.99	\$2,655.67	\$2,448.95	\$1,334.44	\$1,145.75	\$1,272.66
55	\$2,499.94	\$2,305.34	\$1,256.18	\$1,078.56	\$1,198.03	\$2,773.84	\$2,557.92	\$1,393.81	\$1,196.73	\$1,329.29
56	\$2,615.40	\$2,411.82	\$1,314.20	\$1,128.38	\$1,253.37	\$2,901.95	\$2,676.06	\$1,458.19	\$1,252.00	\$1,390.69
57	\$2,731.99	\$2,519.33	\$1,372.79	\$1,178.68	\$1,309.24	\$3,031.32	\$2,795.35	\$1,523.19	\$1,307.81	\$1,452.68
58	\$2,856.43	\$2,634.08	\$1,435.32	\$1,232.36	\$1,368.87	\$3,169.39	\$2,922.68	\$1,592.57	\$1,367.38	\$1,518.85
59	\$2,918.09	\$2,690.94	\$1,466.30	\$1,258.96	\$1,398.42	\$3,237.80	\$2,985.76	\$1,626.95	\$1,396.90	\$1,551.63
60	\$3,042.52	\$2,805.69	\$1,528.83	\$1,312.65	\$1,458.05	\$3,375.87	\$3,113.09	\$1,696.33	\$1,456.47	\$1,617.80
61	\$3,150.14	\$2,904.93	\$1,582.90	\$1,359.08	\$1,509.63	\$3,495.28	\$3,223.20	\$1,756.33	\$1,507.98	\$1,675.02
62	\$3,220.77	\$2,970.06	\$1,618.39	\$1,389.55	\$1,543.47	\$3,573.65	\$3,295.47	\$1,795.71	\$1,541.79	\$1,712.58
63	\$3,309.33	\$3,051.73	\$1,662.89	\$1,427.76	\$1,585.91	\$3,671.91	\$3,386.08	\$1,845.08	\$1,584.19	\$1,759.67
64	\$3,363.14	\$3,101.35	\$1,689.93	\$1,450.98	\$1,611.70	\$3,731.62	\$3,441.14	\$1,875.09	\$1,609.95	\$1,788.28
65+	\$3,363.14	\$3,101.35	\$1,689.93	\$1,450.98	\$1,611.70	\$3,731.62	\$3,441.14	\$1,875.09	\$1,609.95	\$1,788.28

**WSHIP  
January 2018 Rate Increase**

**Exhibit II**

**Area 1: King County**

Age	Non-Smoker					Smoker				
	500	1000	2500	5000	3000 HSA	500	1000	2500	5000	3000 HSA
0-14	40%	40%	43%	52%	52%	40%	40%	43%	52%	52%
15	52%	52%	56%	65%	65%	52%	52%	56%	65%	65%
16	57%	57%	61%	70%	70%	57%	57%	61%	70%	70%
17	62%	62%	65%	76%	75%	62%	62%	65%	76%	75%
18	67%	67%	71%	81%	81%	67%	67%	71%	81%	81%
19	72%	72%	76%	87%	86%	72%	72%	76%	87%	86%
20	78%	78%	81%	92%	92%	78%	78%	81%	92%	92%
21	16%	16%	19%	26%	26%	17%	17%	19%	27%	27%
22	16%	16%	19%	26%	26%	17%	17%	19%	27%	27%
23	16%	16%	19%	26%	26%	17%	17%	19%	27%	27%
24	16%	16%	19%	26%	26%	17%	17%	19%	27%	27%
25	16%	16%	19%	26%	26%	17%	17%	19%	27%	27%
26	16%	16%	19%	26%	26%	17%	17%	19%	27%	27%
27	16%	16%	19%	26%	26%	17%	17%	19%	27%	27%
28	16%	16%	19%	26%	26%	17%	17%	19%	27%	27%
29	16%	16%	19%	26%	26%	17%	17%	19%	27%	27%
30	16%	16%	19%	26%	26%	17%	17%	19%	27%	27%
31	16%	16%	19%	26%	26%	17%	17%	19%	27%	27%
32	16%	16%	19%	26%	26%	17%	17%	19%	27%	27%
33	16%	16%	19%	26%	26%	17%	17%	19%	27%	27%
34	16%	16%	19%	26%	26%	17%	17%	19%	27%	27%
35	16%	16%	19%	26%	26%	17%	17%	19%	27%	27%
36	16%	16%	19%	26%	26%	17%	17%	19%	27%	27%
37	16%	16%	19%	26%	26%	17%	17%	19%	27%	27%
38	16%	16%	19%	26%	26%	17%	17%	19%	27%	27%
39	16%	16%	19%	26%	26%	17%	17%	19%	27%	27%
40	16%	16%	19%	26%	26%	17%	17%	19%	27%	27%
41	16%	16%	19%	26%	26%	17%	17%	19%	27%	27%
42	16%	16%	19%	26%	26%	17%	17%	19%	27%	27%
43	16%	16%	19%	26%	26%	17%	17%	19%	27%	27%
44	16%	16%	19%	26%	26%	17%	17%	19%	27%	27%
45	16%	16%	19%	26%	26%	17%	17%	19%	27%	27%
46	16%	16%	19%	26%	26%	17%	17%	19%	27%	27%
47	16%	16%	19%	26%	26%	17%	17%	19%	27%	27%
48	16%	16%	19%	26%	26%	17%	17%	19%	27%	27%
49	16%	16%	19%	26%	26%	17%	17%	19%	27%	27%
50	16%	16%	19%	26%	26%	17%	17%	19%	27%	27%
51	16%	16%	19%	26%	26%	17%	17%	19%	27%	27%
52	16%	16%	19%	26%	26%	17%	17%	19%	27%	27%
53	16%	16%	19%	26%	26%	17%	17%	19%	27%	27%
54	16%	16%	19%	26%	26%	17%	17%	19%	27%	27%
55	16%	16%	19%	26%	26%	17%	17%	19%	27%	27%
56	16%	16%	19%	26%	26%	17%	17%	19%	27%	27%
57	16%	16%	19%	26%	26%	17%	17%	19%	27%	27%
58	16%	16%	19%	26%	26%	17%	17%	19%	27%	27%
59	16%	16%	19%	26%	26%	17%	17%	19%	27%	27%
60	16%	16%	19%	26%	26%	17%	17%	19%	27%	27%
61	16%	16%	19%	26%	26%	17%	17%	19%	27%	27%
62	16%	16%	19%	26%	26%	17%	17%	19%	27%	27%
63	16%	16%	19%	26%	26%	17%	17%	19%	27%	27%
64	16%	16%	19%	26%	26%	17%	17%	19%	27%	27%
65+	16%	16%	19%	26%	26%	17%	17%	19%	27%	27%

**WSHIP Medicare Plans  
2018 Rate Development**

**Over Age 65**

Carrier	Plan	2016 Avg Mems	Plan F Rate 7/16	Plan F Rate 7/17	Annual Trend	Trend To 7/18	Trended Rate
UHC AARP	F	132,407	\$204	\$212	3.9%		
Premera	F	42,627	\$207	\$211	1.9%		
Regence	F	29,693	\$209	\$216	3.3%		
United of Om	F	18,831	\$218	\$229	5.0%		
Asuris	F	5,161	\$209	\$221	5.7%		
Wtd Avg		228,718	\$206	\$214	3.6%	1.036	\$222

Plan	Plan Adj Factor	2018 SRR	2018 Multiplier	2018 Rate	2017 Rate	Rate Chg
Basic	0.998	\$221	1.50	\$332	\$331	0.3%
Basic Plus	1.597	\$354	1.50	\$531	\$523	1.5%
BP LI Level 1	1.102	\$244	1.10	\$269	\$268	0.4%
BP LI Level 2	1.284	\$285	1.10	\$313	\$307	2.0%

**Under Age 65**

Carrier	Plan	2016 Avg Mems	Over 65 7/17 Rate	Under 65 7/17 Rate	Ratio	Over 65 7/16 Rate	Under 65 7/16 Rate
United American	B	1,010	\$217	\$424	1.95		
HCA Premera	F	42,627	\$210	\$357	1.70		
Wtd Avg		43,637	\$210	\$359	1.71	\$222	\$378

Plan	Plan Adj Factor	2018 SRR	2018 Multiplier	2018 Rate	2017 Rate	Rate Chg
Basic	0.998	\$377	1.10	\$415	\$413	0.5%
Basic Plus	1.597	\$604	1.10	\$665	\$653	1.8%
BP LI Level 1	1.102	\$417	1.10	\$459	\$456	0.6%
BP LI Level 2	1.284	\$486	1.10	\$534	\$522	2.3%