



MEMORANDUM

Date: September 30, 2020
To: WSHIP Board of Directors
Re: Proposed 2021 WSHIP Rates
From: Liz Leif, FSA

The purpose of this memorandum is to provide information regarding the calculation of 2021 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 2021 rate change for WSHIP's non-Medicare plans averages approximately -2%, ranging from -8% to +5%.
- The rate change for the Medicare plans is an increase of about 9% for Basic, 6% for Basic Plus, and 8% for Medical Supplement.

Calculation Methodology for Non-Medicare PPO Plans

The WSHIP rating methodology uses a weighted average of the five largest carriers in the individual market based on enrollment. Benefit Management (BML) provided the 2019 membership carrier counts, which were used in setting the 2021 WSHIP rates. The individual market was stable between 2018 and 2019, with carriers generally maintaining their rank and market share, although the number of insureds dropped by about 8%.

For 2021, there will be fourteen carriers offering individual coverage in Washington. That includes two new entrants, Community Health Plan and UnitedHealthcare. There were also two new entrants in 2020, PacificSource and Providence Health Plan. These four carriers were not used for WSHIP rate setting for 2021, since they had no individual membership in 2019.

Of the remaining ten plans, only Asuris and Health Alliance Northwest are not offering plans on the Exchange. Carriers offering on the Exchange introduced new standardized plans, the Cascade Care Bronze, Silver, and Gold plans. Three carriers (BridgeSpan, Coordinated Care, and Lifewise) will offer these plans on the Exchange as Public Option plans in a few of their rating areas (3, 6, 7, and 9). Because the coverage is spotty for 2021, we did not use the Public Option versions of the plans for establishing proposed WSHIP rates. We did use the non-Public Option versions of the Cascade Care plans for carriers offering them.

The proposed non-Medicare rates were calculated using the following methodology:

- We accessed the Office of the Insurance Commissioner (OIC) website to secure the filed rates and benefits of the carriers. Approved rates were available for carriers offering Exchange plans. The following table shows the combination of carriers used to develop the proposed WSHIP 2021 rates in each of the nine rating areas.

Carrier	2019 Rank	2018 Rank	2021 Rating Area								
			1	2	3	4	5	6	7	8	9
Kaiser of WA	1	1	X	X		X	X	X		X	X
Coordinated Care	2	2	X	X		X	X	X	X	X	X
Premera	3	3	X	X	X			X			
Molina	4	4	X	X	X	X	X			X	
Lifewise	5	5	X	X	X	X	X	X	X	X	X
Kaiser of NW	6	6			X						
Asuris	7	7				X		X	X		X
Regence	8	8			X		X			X	
BridgeSpan	9	9									X
Health Alliance NW	10	10							X		

- The benefits of the WSHIP plans were modeled to determine their 2021 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 2019 membership. This calculation resulted in the 2021 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	2021 Factor	WSHIP Members	WSHIP Distribution
1	King	1.000	109	54%
2	Clallam, Cowlitz, Grays Harbor, Jefferson, Kitsap, Lewis, Pacific, Wahkiakum	1.088	8	4%
3	Clark, Klickitat, Skamania	1.099	2	1%
4	Ferry, Lincoln, Pend Oreille, Spokane, Stevens	0.999	4	2%
5	Mason, Pierce, Thurston	1.067	26	13%
6	Benton, Franklin, Kittitas, Yakima	1.034	13	6%
7	Adams, Chelan, Douglas, Grant, Okanogan	0.993	3	2%
8	Island, San Juan, Skagit, Snohomish, Whatcom	1.026	33	16%
9	Asotin, Columbia, Garfield, Walla Walla, Whitman	1.039	3	2%
Totals			201	100%

- All carriers used in the pricing have separate rates for smokers except for Molina. The smoker rates are 15% higher than non-smoker rates when blended across all rating area. This is the same as last year's smoker differential. Approximately 13% of the members are smokers, which is up from 8% last year.
- The average market rates were multiplied by 1.10 to arrive at the proposed 2021 WSHIP rates.
- The proposed 2021 rates were compared to the 2020 rates to determine the rate change. The average rate change for each deductible option and area was determined based on the June 2020 membership in each rate cell.

The resulting non-smoker rate changes by plan and area are shown in the following table. The cells that are shaded have no enrollment.

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

Calculation Methodology for Medicare Plans Over Age 65

The proposed 2021 Medicare over age 65 rates were calculated as described below:

- We used the largest Medicare Supplement carriers' membership for 2019. The companies were UnitedHealthcare (AARP), Premera Blue Cross, Regence Blue Shield, United of Omaha, Loyal American (CIGNA), and Asuris.
- The July 2020 Medicare Supplement rates for Plans F and G were secured from the OIC website. Plan F is closest to WSHIP's Basic Plan and Plan G is closest to the WSHIP Medical Supplement Plan benefit designs. UnitedHealthcare, Regence, United of Omaha and Loyal American offer both Plans F and G. Premera no longer has a Plan F, so the sixth largest carrier, Asuris, was used as the fifth carrier for Plan F.
- The carrier rates were trended one year to the midpoint of the WSHIP rating period beginning January 1, 2021. The trend was estimated based on the average rate changes from 2018 to 2020 in the rates of these carriers. The trend averaged 5.5% for Plan F and 3.6% for Plan G.
- The trended rates for the five companies were averaged, using a weighted average based on 2019 enrollment.
- The trended average rates were adjusted to reflect the actuarial value of differences in benefit design between Plans F and G and the WSHIP Basic, Basic Plus, and Medical Supplement 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 2021 WSHIP over age 65 Medicare Plan rates. A rate comparison with 2020 rates is shown in the following table.

Plan	2020 Rate	2021 Rate	% Change
Medical Supplement	\$286	\$309	8%
Basic	\$358	\$391	9%
Basic Plus	\$578	\$615	6%
BP LI Level 1	\$288	\$308	7%
BP LI Level 2	\$343	\$364	6%

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 under age 65 to over age 65 rates for these two companies to develop the under age 65 WSHIP rate. The average ratio was 1.72.

The adjusted standard risk rates were multiplied by 1.10 to arrive at the proposed 2021 WSHIP under age 65 Medicare Plan rates. A rate comparison with 2020 rates is shown in the following table.

Plan	2020 Rate	2021 Rate	% Change
Medical Supplement	\$360	\$388	8%
Basic	\$450	\$492	9%
Basic Plus	\$726	\$774	6%
BP LI Level 1	\$494	\$528	7%
BP LI Level 2	\$588	\$625	6%

Rate Change and Multiplier History

The following table describes the rate changes in the last five years.

Date	Non-Medicare PPO Plans		Medicare Plans	
	Multiplier	Average Rate Change	Multiplier <65 / 65+	Avg Rate Change Basic / Basic Plus
January 2016	1.10	12%	1.10 / 1.50	2% / 3%
January 2017	1.10	17%	1.10 / 1.50	8% / 2%
January 2018	1.10	18%	1.10 / 1.50	0% / 2%
January 2019	1.10	3%	1.10 / 1.50	3% / 4%
January 2020	1.10	-7%	1.10 / 1.50	5% / 5%

Exhibits

Exhibit I – Proposed 2021 Non-Medicare Rates Area 1

Exhibit II – Proposed 2021 Non-Medicare Rate Increases Area 1

Exhibit III – Proposed 2021 Medicare Rates – Rate Development

**WSHIP
Proposed 2021 Rates**

Area 1: King County

Age	Non-Smoker					Smoker				
	500	1000	2500	5000	3000 HSA	500	1000	2500	5000	3000 HSA
0-14	\$819	\$701	\$395	\$342	\$380	\$819	\$701	\$395	\$342	\$380
15	\$892	\$764	\$430	\$373	\$414	\$892	\$764	\$430	\$373	\$414
16	\$920	\$787	\$444	\$384	\$427	\$920	\$787	\$444	\$384	\$427
17	\$948	\$811	\$457	\$396	\$440	\$948	\$811	\$457	\$396	\$440
18	\$978	\$837	\$471	\$408	\$454	\$978	\$837	\$471	\$408	\$454
19	\$1,008	\$863	\$486	\$421	\$468	\$1,008	\$863	\$486	\$421	\$468
20	\$1,039	\$889	\$501	\$434	\$482	\$1,039	\$889	\$501	\$434	\$482
21	\$1,071	\$917	\$516	\$447	\$497	\$1,227	\$1,051	\$591	\$512	\$569
22	\$1,071	\$917	\$516	\$447	\$497	\$1,227	\$1,051	\$591	\$512	\$569
23	\$1,071	\$917	\$516	\$447	\$497	\$1,227	\$1,051	\$591	\$512	\$569
24	\$1,071	\$917	\$516	\$447	\$497	\$1,227	\$1,051	\$591	\$512	\$569
25	\$1,075	\$920	\$518	\$449	\$499	\$1,232	\$1,054	\$593	\$514	\$572
26	\$1,096	\$939	\$529	\$458	\$509	\$1,256	\$1,076	\$606	\$525	\$583
27	\$1,122	\$961	\$541	\$469	\$521	\$1,286	\$1,101	\$620	\$537	\$597
28	\$1,164	\$996	\$561	\$486	\$540	\$1,334	\$1,141	\$643	\$557	\$619
29	\$1,198	\$1,026	\$578	\$501	\$556	\$1,373	\$1,176	\$662	\$574	\$637
30	\$1,215	\$1,040	\$586	\$508	\$564	\$1,392	\$1,192	\$671	\$582	\$646
31	\$1,241	\$1,062	\$598	\$519	\$576	\$1,422	\$1,217	\$685	\$595	\$660
32	\$1,267	\$1,084	\$611	\$529	\$588	\$1,452	\$1,242	\$700	\$606	\$674
33	\$1,283	\$1,098	\$619	\$536	\$596	\$1,470	\$1,258	\$709	\$614	\$683
34	\$1,300	\$1,113	\$627	\$543	\$603	\$1,489	\$1,275	\$718	\$622	\$691
35	\$1,308	\$1,120	\$631	\$547	\$607	\$1,499	\$1,283	\$723	\$627	\$695
36	\$1,317	\$1,127	\$635	\$550	\$611	\$1,509	\$1,291	\$728	\$630	\$700
37	\$1,326	\$1,135	\$639	\$554	\$615	\$1,519	\$1,300	\$732	\$635	\$705
38	\$1,334	\$1,142	\$643	\$557	\$619	\$1,528	\$1,308	\$737	\$638	\$709
39	\$1,351	\$1,157	\$652	\$565	\$627	\$1,548	\$1,326	\$747	\$647	\$718
40	\$1,368	\$1,171	\$660	\$572	\$635	\$1,567	\$1,342	\$756	\$655	\$728
41	\$1,394	\$1,193	\$672	\$583	\$647	\$1,597	\$1,367	\$770	\$668	\$741
42	\$1,419	\$1,215	\$684	\$593	\$659	\$1,626	\$1,392	\$784	\$679	\$755
43	\$1,453	\$1,244	\$701	\$607	\$675	\$1,665	\$1,425	\$803	\$695	\$773
44	\$1,496	\$1,281	\$721	\$625	\$694	\$1,714	\$1,468	\$826	\$716	\$795
45	\$1,546	\$1,324	\$746	\$646	\$718	\$1,771	\$1,517	\$855	\$740	\$823
46	\$1,606	\$1,375	\$775	\$671	\$746	\$1,840	\$1,575	\$888	\$769	\$855
47	\$1,674	\$1,433	\$807	\$699	\$777	\$1,918	\$1,642	\$925	\$801	\$890
48	\$1,751	\$1,499	\$844	\$731	\$813	\$2,006	\$1,717	\$967	\$838	\$931
49	\$1,827	\$1,564	\$881	\$763	\$848	\$2,093	\$1,792	\$1,009	\$874	\$972
50	\$1,912	\$1,637	\$922	\$799	\$888	\$2,191	\$1,876	\$1,056	\$915	\$1,017
51	\$1,997	\$1,709	\$963	\$834	\$927	\$2,288	\$1,958	\$1,103	\$956	\$1,062
52	\$2,090	\$1,789	\$1,008	\$873	\$970	\$2,395	\$2,050	\$1,155	\$1,000	\$1,111
53	\$2,184	\$1,870	\$1,053	\$913	\$1,014	\$2,502	\$2,143	\$1,206	\$1,046	\$1,162
54	\$2,286	\$1,957	\$1,102	\$955	\$1,061	\$2,619	\$2,242	\$1,263	\$1,094	\$1,216
55	\$2,388	\$2,044	\$1,151	\$998	\$1,109	\$2,736	\$2,342	\$1,319	\$1,143	\$1,271
56	\$2,498	\$2,138	\$1,205	\$1,044	\$1,160	\$2,862	\$2,450	\$1,381	\$1,196	\$1,329
57	\$2,609	\$2,234	\$1,258	\$1,090	\$1,211	\$2,989	\$2,560	\$1,441	\$1,249	\$1,387
58	\$2,728	\$2,336	\$1,316	\$1,140	\$1,267	\$3,126	\$2,676	\$1,508	\$1,306	\$1,452
59	\$2,787	\$2,386	\$1,344	\$1,165	\$1,294	\$3,193	\$2,734	\$1,540	\$1,335	\$1,483
60	\$2,906	\$2,488	\$1,401	\$1,214	\$1,349	\$3,330	\$2,851	\$1,605	\$1,391	\$1,546
61	\$3,009	\$2,576	\$1,451	\$1,257	\$1,397	\$3,448	\$2,951	\$1,662	\$1,440	\$1,601
62	\$3,076	\$2,633	\$1,484	\$1,285	\$1,428	\$3,524	\$3,017	\$1,700	\$1,472	\$1,636
63	\$3,161	\$2,706	\$1,524	\$1,321	\$1,467	\$3,622	\$3,100	\$1,746	\$1,514	\$1,681
64	\$3,212	\$2,750	\$1,549	\$1,342	\$1,491	\$3,680	\$3,151	\$1,775	\$1,538	\$1,708
65+	\$3,212	\$2,750	\$1,549	\$1,342	\$1,491	\$3,680	\$3,151	\$1,775	\$1,538	\$1,708

**WSHIP
Proposed 2021 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%	2%	1%	-3%	-1%	-1%	2%
15	1%	-3%	-1%	-1%	2%	1%	-3%	-1%	-1%	2%
16	1%	-3%	-1%	-2%	2%	1%	-3%	-1%	-2%	2%
17	1%	-3%	-1%	-1%	2%	1%	-3%	-1%	-1%	2%
18	1%	-3%	-1%	-1%	2%	1%	-3%	-1%	-1%	2%
19	1%	-3%	-1%	-1%	2%	1%	-3%	-1%	-1%	2%
20	1%	-3%	-1%	-1%	2%	1%	-3%	-1%	-1%	2%
21	1%	-3%	-2%	-1%	2%	1%	-3%	-2%	-1%	2%
22	1%	-3%	-2%	-1%	2%	1%	-3%	-2%	-1%	2%
23	1%	-3%	-2%	-1%	2%	1%	-3%	-2%	-1%	2%
24	1%	-3%	-2%	-1%	2%	1%	-3%	-2%	-1%	2%
25	1%	-3%	-2%	-1%	2%	1%	-3%	-2%	-2%	2%
26	1%	-3%	-1%	-1%	2%	1%	-3%	-1%	-1%	2%
27	1%	-3%	-1%	-1%	2%	1%	-3%	-1%	-1%	2%
28	1%	-3%	-1%	-1%	2%	1%	-3%	-1%	-1%	2%
29	1%	-3%	-1%	-1%	2%	1%	-3%	-1%	-1%	2%
30	1%	-3%	-1%	-1%	2%	1%	-3%	-1%	-1%	2%
31	1%	-3%	-1%	-1%	2%	1%	-3%	-2%	-1%	2%
32	1%	-3%	-1%	-1%	2%	1%	-3%	-1%	-1%	2%
33	1%	-3%	-1%	-1%	2%	1%	-3%	-1%	-1%	2%
34	1%	-3%	-1%	-1%	2%	1%	-3%	-2%	-1%	2%
35	1%	-3%	-1%	-1%	2%	1%	-3%	-1%	-1%	2%
36	1%	-3%	-1%	-1%	2%	1%	-3%	-1%	-2%	2%
37	1%	-3%	-1%	-1%	2%	1%	-3%	-1%	-1%	2%
38	1%	-3%	-1%	-1%	2%	1%	-3%	-1%	-2%	2%
39	1%	-3%	-1%	-1%	2%	1%	-3%	-1%	-1%	2%
40	1%	-3%	-1%	-1%	2%	1%	-3%	-1%	-1%	2%
41	1%	-3%	-1%	-1%	2%	1%	-3%	-2%	-1%	2%
42	1%	-3%	-1%	-1%	2%	1%	-3%	-2%	-1%	2%
43	1%	-3%	-1%	-1%	2%	1%	-3%	-1%	-1%	2%
44	1%	-3%	-1%	-1%	2%	1%	-3%	-1%	-1%	2%
45	1%	-3%	-1%	-1%	2%	1%	-3%	-1%	-1%	2%
46	1%	-3%	-1%	-1%	2%	1%	-3%	-1%	-1%	2%
47	1%	-3%	-1%	-1%	2%	1%	-3%	-1%	-1%	2%
48	1%	-3%	-1%	-1%	2%	1%	-3%	-1%	-1%	2%
49	1%	-3%	-1%	-1%	2%	1%	-3%	-1%	-1%	2%
50	1%	-3%	-1%	-1%	2%	1%	-3%	-1%	-2%	2%
51	1%	-3%	-1%	-1%	2%	1%	-3%	-2%	-1%	2%
52	1%	-3%	-1%	-1%	2%	1%	-3%	-1%	-1%	2%
53	1%	-3%	-1%	-1%	2%	1%	-3%	-2%	-1%	2%
54	1%	-3%	-1%	-1%	2%	1%	-3%	-1%	-1%	2%
55	1%	-3%	-1%	-1%	2%	1%	-3%	-1%	-1%	2%
56	1%	-3%	-1%	-1%	2%	1%	-3%	-1%	-1%	2%
57	1%	-3%	-1%	-1%	2%	1%	-3%	-2%	-1%	2%
58	1%	-3%	-1%	-1%	2%	1%	-3%	-1%	-1%	2%
59	1%	-3%	-1%	-1%	2%	1%	-3%	-1%	-1%	2%
60	1%	-3%	-1%	-1%	2%	1%	-3%	-1%	-1%	2%
61	1%	-3%	-1%	-1%	2%	1%	-3%	-1%	-1%	2%
62	1%	-3%	-1%	-1%	2%	1%	-3%	-1%	-1%	2%
63	1%	-3%	-1%	-1%	2%	1%	-3%	-2%	-1%	2%
64	1%	-3%	-1%	-1%	2%	1%	-3%	-1%	-1%	2%
65+	1%	-3%	-1%	-1%	2%	1%	-3%	-1%	-1%	2%

**WSHIP Medicare Plans
2021 Rate Development**

STANDARD RISK RATE

Over 65 Plan F	Carrier	Plan	2019 Avg Mems	Plan F Rate 7/18	Plan F Rate 7/19	Plan F Rate 7/20	Avg Annl Trend	Trend To 7/21	Trended SRR
		UHC AARP	F	136,695	\$222	\$230	\$242	4.4%	
	Regence	F	35,960	\$214	\$214	\$225	2.5%		
	United of Om	F	27,013	\$241	\$262	\$294	10.4%		
	Loyal Amer	F	22,239	\$214	\$231	\$266	11.5%		
	Asuris	F	6,258	\$219	\$219	\$225	1.4%		
	Wtd Avg		228,165	\$222	\$231	\$247	5.5%	1.055	\$261.02

Plan G	Carrier	Plan	2019 Avg Mems	Plan G Rate 7/18	Plan G Rate 7/19	Plan G Rate 7/20	Avg Annl Trend	Trend To 7/21	Trended SRR
		UHC AARP	G	136,695	\$190	\$190	\$200	2.6%	
	Premera	G	42,980	\$185	\$185	\$194	2.4%		
	Regence	G	35,960	\$185	\$185	\$188	0.8%		
	United of Om	G	27,013	\$188	\$205	\$221	8.4%		
	Loyal Amer	G	22,239	\$158	\$170	\$195	11.1%		
	Wtd Avg		264,887	\$186	\$188	\$199	3.6%	1.036	\$206.23

Under 65	Carrier	Plan	2019 Avg Mems	Over 65 7/20 Rate	Under 65 7/20 Rate	Ratio
		United Amer	B	2,061	\$230	\$449
	HCA Premera	G	42,980	\$185	\$315	1.70
	Wtd Avg		45,041	\$187	\$321	1.72

WSHIP 2021 RATE DEVELOPMENT

- Medical Supplement (open) Covers medical plus Part B drugs only, does not cover Part B deductible
- Basic (closed) Covers medical plus Part B drugs only, covers Part B deductible
- Basic Plus (closed) Same as Basic + 100% of Part D member share
- BP LI Level 1 (closed) Same as Basic Plus but benefit supplemented is copays of \$3.70/\$9.20
- BP LI Level 2 (closed) Same as Basic Plus but benefit supplemented is deductible of \$92 plus 15% coinsurance

Over 65		Medical	Basic	Basic Plus	Basic Plus	Basic Plus
		Supplement			Low Income 1	Low Income 2
	SRR	\$206.23	\$261.02	\$261.02	\$261.02	\$261.02
	Adj for WSHIP Bens	(\$0.52)	(\$0.65)	(\$0.65)	(\$0.65)	(\$0.65)
	Part D Supplement	\$0	\$0	\$149.75	\$19.20	\$70.71
	Subtotal	\$205.72	\$260.36	\$410.11	\$279.56	\$331.07
	Multiplier	1.50	1.50	1.50	1.10	1.10
	Rate	\$308.58	\$390.55	\$615.16	\$307.52	\$364.18

2020 Rate	\$286.00	\$358.00	\$578.00	\$288.00	\$343.00
Rate Change	7.9%	9.1%	6.4%	6.8%	6.2%
Count - May 2020	27	245	88		

Under 65	Subtotal	\$205.72	\$260.36	\$410.11	\$279.56	\$331.07
	Age Adjustment	1.72	1.72	1.72	1.72	1.72
	Subtotal	\$353.16	\$446.98	\$704.05	\$479.94	\$568.36
	Multiplier	1.10	1.10	1.10	1.10	1.10
	Rate	\$388.48	\$491.67	\$774.46	\$527.93	\$625.20

2020 Rate	\$360.00	\$450.00	\$726.00	\$494.00	\$588.00
Rate Change	7.9%	9.3%	6.7%	6.9%	6.3%
Count - May 2020	81	629	47		