



Washington State Health Insurance Pool (WSHIP) Assessment Projection and Rate Development Methodology

This document describes how WSHIP develops its assessment projections and rates.

Assessment Projections

WSHIP's future assessment funding requirements are calculated as the difference between projected premium revenue and projected claim and administrative expenses. The projections take into consideration the following factors:

- Enrollment
- Medical Claims
- Pharmacy Claims
- Premium Revenue

Trend Assumptions

The projections are updated several times a year in order to reflect the most recent enrollment and claim trends. Historical data related to each of the components is broken down between non-Medicare plans and Medicare plans, since the trend patterns are quite different between them. Based on an analysis of recent activity and information about other factors such as upcoming rate or benefit changes, an estimate of future trends in each of the components is made. Trends can vary significantly from one period to the next and differ from a typical commercial population, due to WSHIP's small size and the changing mix of enrollee health status as the membership shifts between non-Medicare and Medicare plans.

Rate Development

WSHIP's rates are calculated in accordance with the requirements of RCW 48.41.200 and the Board's Rate-Setting Principles. The standard risk rate is determined by calculating the average rate charged for similar coverage by the five largest individual insurance carriers in the state, measured in terms of individual market enrollment. Once the average market rates are determined, they are multiplied by a factor between 1.10 and 1.50 as required by statute. The statute allows for certain discounts, but rates are never lower than 110% of the average market rate.

The rate development process does not consider the actual claim experience of the WSHIP enrollees. WSHIP rates are instead based on the rates a healthy person purchasing individual insurance in the market would pay, plus a certain percentage. Because of the nature of the program, WSHIP enrollees have chronic conditions and their medical and pharmacy claims are significantly higher than average. The claims are also significantly higher than the premium, necessitating additional funding from assessments.