

Part II

Piedmont Community Healthcare HMO, Inc.'s (PCHC) explanation of rate increase

Scope and Range of Rate Increase

PCHC is requesting an overall average rate increase of 53.4% across all plans for the individual POS HMO ACA product effective January 1, 2018. The proposed average 2018 rate increase consists of the following benefit plans and is based on projected membership in 2018 averaging 15,381 monthly members.

- Gold 1500/30/50 POS HMO - 59.1%
- Silver 6000/20% POS HMO - 60.0%
- Silver 4000/40/20% POS HMO - 66.7%
- Silver 3000/25% POS HMO – 71.3%
- Bronze 5400 POS HMO - 43.7%
- Bronze 6200 POS HMO - 45.7%
- Bronze HSA 5000 POS HMO - 45.2%
- Bronze HSA 6000 POS HMO - 43.5%
- Catastrophic 7350 POS HMO - 52.0%
- Bronze Standard 6650 POS HMO - 46.3%
- Overall Weighted Average: 53.4%

Financial Experience of Product

In 2016, Piedmont Community Healthcare (PPO) and Piedmont Community Healthcare HMO (HMO) lost over \$3 million combined or around \$60.14 per member per month (PMPM).

Change in Medical Cost Services

PCHC's 2018 premium rates were developed using the 2016 exchange experience from both the PPO and HMO. 2015 was the first year of experience for PCHC's individual PPO plans and 2016 was the first year of experience for PCHC's HMO plans.

We are anticipating medical and prescription drug trends to range average about from 7.9% per year through 2018 (before the impact of deductible leveraging and any induced utilization).

Change in Statewide Morbidity

From 2016 to 2018, we anticipate a shift in statewide morbidity of approximately 25%. Therefore, PCHC's base experience was adjusted to reflect this shift over the two-year period.

Change in CSR Funding

PCHC's 2018 premium rates were developed under the assumption that the Cost Share Reduction ("CSR") payments would not be received from the government in 2018. This impact was spread across on-exchange silver plans only.

Change in Benefits

Effective January 1, 2018 PCHC is terminating its current HMO and PPO portfolio and creating a new Point of Service (POS) portfolio. The new POS plans will have the same network and similar benefits as the current HMO plans, but with the addition of out of network coverage. Current PPO and HMO members were crosswalked into the new POS plans. The new 2018 benefits were designed to keep the applicable crosswalked plans compliant with the Actuarial Value Calculator and offset some impacts of fixed dollar cost sharing leveraging.

Administrative Cost and Anticipated Profit

Overall, administrative costs are expected to be higher from 2017 to 2018 on a PMPM basis. PCHC has changed its application of administrative costs. In prior years, it has charged 10% of net premium based on its management service agreement with Piedmont Community Health Plan (its parent company). For the 2018 plan year, PCHC is using a buildup approach based on actual 2016 expenses projected to 2018. PCHC is requesting a 7.25% profit/risk charge on its Gold plan for 2018 with a 5.25% profit/risk charge for all other metal tiers. This is an increase of 5.0% on Gold and 3.0% for all other metals compared to the 2017 individual ACA rate filing.