

Consumer Narrative

Tufts Associated Health Maintenance Organization, Inc. and Tufts Insurance Company Rhode Island Small Group Rate Filing

Small group rates for Tufts Health Plan will be lower on average for 2016. Carriers file two average rate increase amounts with OHIC: the EHB base rate increase and the weighted average rate increase. These two percentages reflect different calculations.

- **Essential Health Benefits Base Rate Increase:** After considering all the pricing assumptions except for benefits and cost sharing, the average rate increase for a theoretical plan that provides 100% coverage for all Essential Health Benefits would be 3.3% for HMO plans and 3.7% for PPO plans. Since this EHB increase uses a theoretical plan, it allows for comparisons across health insurance carriers and across years.
- **Weighted Average Rate Increase:** However, consumer plans have adjustments to reflect the benefits selected, including modifications to prior year benefits and pricing. The average premium increase to consumers, before reflecting changes in age is expected to be -4.1% for HMO plans and -4.5% for PPO plans.

The range of rate increases, before reflecting changes in age, which consumers will experience is: -7.8% to 8.0% for HMO plans -7.6% to 8.0% for PPO plans.

The premium decrease is driven by plan design changes we made to our products and changes to the Federal small group size definition. Due to the size definition change, sole proprietors will no longer be a part of the small group risk pool. Also, some groups previously defined as large will be defined as small. These changes offset increases in medical claims, standard administrative expenses, and taxes and fees associated with health care reform.

Medical claims are expected to increase by 5.3%. This is due to both increases in the number of services used and increases in the price of services negotiated with providers. We estimate the change in utilization based on an analysis of our historical data in the MA small group market. We have much larger small group enrollment in MA than in RI. Therefore, relying on MA data allows us to predict a more likely projection of future health care costs. The projected increase in the price of services is based on our specific contracts with Rhode Island providers.

Medical claims are also expected to increase due to a new service being offered. Methadone Maintenance Treatment will be covered starting in 2016 in order to treat opioid addiction.

Standard administrative expenses include the costs necessary to operate the business and premium taxes paid to the state of RI. We project these expenses as a percentage of total premium. Therefore, they increase at the same rate as premium.

The taxes and fees associated with health care reform are also included in our small group rates. These include the following items:

- An annual tax on health insurance providers.

- A fee on insured and self-insured health plans to fund the patient-centered outcomes research trust fund.
- A fee to participate in the mandatory risk adjustment program.
- A fee to participate in the mandatory reinsurance program.