

Key Factors Influencing the Price of Health Insurance

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Forces Driving Premium Change

Premium changes are driven by:

- Cost of Care
- Utilization of Services
- Other Factors



Cost of Care



Cost Trends

Costs can be divided into seven main categories

Benefit Category	Percentage of Medical Costs	Trend
Outpatient Hospital	27.2%	7.5%
Professional	26.1%	4.3%
Inpatient Hospital	22.4%	5.7%
Prescription Drug	18.0%	8.9%
Other Medical	4.3%	8.9%
Capitation	2.0%	1.6%
Non-Medical		~1.4%
Total		7.9%

Source: 2016 Individual and Small Group ACA Filings



5-year Small Group Trend

Year	Total Annualized Premium (in millions)	Blocks of Business	Trend
2012	\$2,009	Grandfathered and Transitional	10.8%
2013	\$2,278	Grandfathered and Transitional	9.0%
2014	\$2,959	ACA, Grandfathered and Transitional	8.2%
2015	\$2,835	Projected ACA, Grandfathered and Transitional	8.3%
2016	\$2,694	Projected ACA, Grandfathered and Transitional	8.4%
	\$12,775		8.8%

Source: Company rate filings from the top 5 Small Group insurance companies



Cost of Care

Health Care Prices

- Hospital and provider contracts
- Advanced technology
- Prescription drugs
- Expanded coverage



Cost of Care – Expanded Coverage

Essential Health Benefits

- Ambulatory Patient Services
- Emergency Services
- Hospitalization
- Maternity Care
- Mental Health and Substance Abuse
- Prescription Drugs
- Rehabilitative and Habilitative Services
- Laboratory Services
- Preventative and Wellness Services
- Pediatric Services



Utilization of Services



Utilization of Services

- Pent up demand
- Guaranteed Issue
- Encouraged use of services
- Lifestyle choices
- New technology/services available
- Population aging



Other Factors



Other Factors

- Impact of PPACA
- Market dynamics
- Population growth



Premium Management Strategies



Premium Management Strategies

- Limiting out of network coverage
- Narrowing of the networks
- Mergers and acquisitions
- Outcome based initiatives
- Integrating patient information



Market Premium Increases



Florida's PPACA Filing Results

Individual

- Average rate increase – 9.5%
- Carriers on Exchange – down from 14 to 11
- Carriers off Exchange – down from 22 to 19

Small Group

- Average rate increase – 6.9%
- Carriers on Exchange – up from 6 to 7
- Carriers off Exchange – down from 17 to 15

Source: 2015 and 2016 Individual and Small Group PPACA Filings



Historical Rate Revisions

Individual Market	2012	2013	2014 ⁽²⁾	2015 ⁽²⁾	2016 ⁽²⁾
Weighted Average Rate Change: ⁽¹⁾	9.9%	12.6%	33.4%	12.9%	9.5%

Small Group Market	2012	2013	2014 ⁽²⁾	2015 ⁽²⁾	2016 ⁽²⁾
Weighted Average Rate Change: ⁽¹⁾	5.6%	8.4%	12.7%	8.4%	6.9%

⁽¹⁾Percent changes are based on actual enrollment and do not represent the percent difference for a single policyholder

⁽²⁾PPACA Plan Years

Source: Company rate filings



Market Statistics



Enrollment

	2013	2014	Difference	% Change
Individual	814,531	1,503,564	689,033	84.59%
Small Group	746,408	598,361	(148,047)	-19.83%
Large Group	2,059,287	1,977,948	(81,339)	-3.95%
Total Group	2,805,695	2,576,309	(229,386)	-8.18%
Total Market	3,620,226	4,079,873	459,647	12.70%

Source: 2013 and 2014 Gross Annual Premium & Enrollment Reports

Gross Annual Premium

	2013 (in millions)	2014 (in millions)	Difference (in millions)	% Change
Individual	\$2,327	\$5,215	\$2,888	124.08%
Small Group	\$3,675	\$3,097	(\$578)	-15.72%
Large Group	\$6,575	\$7,125	\$550	8.36%
Total Group	\$10,250	\$10,222	(\$28)	-0.27%
Total Market	\$12,577	\$15,437	\$2,860	22.74%

Source: 2013 and 2014 Gross Annual Premium & Enrollment Reports



Loss Ratios

	2013	2014
Individual	79%	92%
Small Group	79%	76%
Large Group	83%	83%
Total Group	81%	81%
Total Market	81%	85%

Source: 2013 and 2014 Gross Annual Premium & Enrollment Reports



Questions?

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